91st Congress
2d Session

COMMITTEE PRINT

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN STATEMENTS AND OTHER MATERIAL SUBMITTED BY ADMINISTRATION WITNESSES

TO THE

COMMITTEE ON WAYS AND MEANS

DURING HEARINGS ON THE SUBJECT OF

FOREIGN TRADE AND TARIFFS

TOGETHER WITH

LETTER OF THE PRESIDENT

MAY 1970

NOTE: This material has been reproduced so as to make it generally available for the convenience of the interested public. This document is not to be construed as the statement or position of the Committee on Ways and Means or any Member thereof. *This material does not include any interrogation by the Members of the Committee,* and is strictly the unrevised prepared direct statements of the Administration witnesses.

U.S. GOVERNMENT PRINTING OFFICE
44-813 O WASHINGTON : 1970

COMMITTEE ON WAYS AND MEANS

WILBUR D. MILLS, Arkansas, *Chairman*

HALE BOGGS, Louisiana
JOHN C. WATTS, Kentucky
AL ULLMAN, Oregon
JAMES A. BURKE, Massachusetts
MARTHA W. GRIFFITHS, Michigan
DAN ROSTENKOWSKI, Illinois
PHIL M. LANDRUM, Georgia
CHARLES A. VANIK, Ohio
RICHARD H. FULTON, Tennessee
JACOB H. GILBERT, New York
OMAR BURLESON, Texas
JAMES C. CORMAN, California
WILLIAM J. GREEN, Pennsylvania
SAM M. GIBBONS, Florida

JOHN W. BYRNES, Wisconsin
JACKSON E. BETTS, Ohio
HERMAN T. SCHNEEBELI, Pennsylvania
HAROLD R. COLLIER, Illinois
JOEL T. BROYHILL, Virginia
BARBER B. CONABLE, JR., New York
GEORGE BUSH, Texas
ROGERS C. B. MORTON, Maryland
CHARLES E. CHAMBERLAIN, Michigan
JERRY L. PETTIS, California

JOHN M. MARTIN, Jr., *Chief Counsel*
J. P. BAKER, *Assistant Chief Counsel*
RICHARD C. WILBUR, *Minority Counsel*

CONTENTS

THE WHITE HOUSE,
Washington, D.C., May 11, 1970.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: It is gratifying to me that you are today beginning hearings on trade legislation. The administration welcomes the chance to testify on behalf of the trade bill which I submitted last November, passage of which we believe to be necessary to provide a start in adjusting U.S. trade policy to meet the problems of the 1970s. These hearings will also be useful in giving all interested citizens a chance to explain their views on a subject which is of great economic and foreign policy significance for this country.

I urge speedy enactment of the proposals which I have sent to the Congress. The proposals are modest in scope, but they provide needed flexibility for U.S. trade policy in a number of significant ways. They would:

Restore the authority needed by the President to make limited tariff reductions. This authority is not intended for major negotiations, but rather to permit minor adjustments, such as would be required to extend compensation to other countries hurt by U.S. escape clause actions—thereby avoiding retaliation against U.S. exports.

Recognize the very real plight of particular industries, companies and workers faced with import competition, by providing for a readier escape clause and adjustment assistance relief where justified.

Eliminate the American Selling Price system of customs valuation, a major obstacle impeding progress toward the reduction of non-tariff barriers.

Strengthen the hand of the President in his efforts to ensure fair treatment for U.S. exports.

Since I submitted this legislation to the Congress in November, there have been a number of developments which add to its urgency. I cite only the important decisions taken by the European Communities on the future evolution of that great trading area, and the consideration by the Congress of new U.S. farm legislation, which would further increase the importance of our access to foreign markets. At a time of rapid movement in international trade relations and patterns, the U.S. will find itself at a disadvantage unless we have the added flexibility which I have requested.

Progress toward freer trade should continue. We must encourage it. Without the strong support of the United States, the world's largest trader, this progress could falter. Passage of the legislation I have submitted will keep us headed in the right direction.

FOR THE FUTURE

The legislation proposed by the Administration represents an interim step toward developing the flexible trade policies needed for the world of the 1970s. For the long range, it is important to reexamine our entire approach. Changes in production, trade and investment patterns, and the rapid progress in communications, transportation and technology impel us toward a basic reassessment of our trade policy. I have recently announced the appointment of the chairman of my Commission on International Trade and Investment Policy, which will assist in this reexamination, and I will shortly announce its full membership. The Commission is charged with examining the entire range of our trade and related policies, and of preparing recommendations for the next decade.

We need more information regarding the competitive position of U.S. industries. So that we will have an adequate factual base, I am requesting that the Tariff Commission make a broad survey of the competitiveness of particular industries. I believe that such a broad study, which the Tariff Commission is best suited to conduct, will be of great assistance to us in our future policies and trade actions and in the work of my Commission on International Trade and Investment Policy.

It is my intention to marshal the forces of the executive branch to expedite efficient adjustment to economic changes brought about by increased imports. I intend to activate the Trade Adjustment Assistance Advisory Board called for in the Trade Expansion Act of 1962 to lead a broad coordinated executive effort to make adjustment assistance more effective in opening opportunities for workers and firms. I also intend to request additional funds for adjustment assistance as they are needed.

Certain aspects of our trading relations have been of particular concern in recent years. The decline in our trade surplus, from about $7 billion in 1964 to only $0.8 billion in 1968, and $1.3 billion in 1969, stems from a variety of causes: the inflationary forces which have dominated our economy in the late sixties; the growing economic strength and technological progress of our trading partners; the increase in agricultural self-sufficiency abroad; and the increasing demand of American consumers for goods made in other countries. As I mentioned in my balance of payments statement of April 1969, it is appropriate to deal with fundamental problems by the use of fundamental remedies. One of the required fundamental remedies has been the reduction of inflationary pressures. With the steps we have taken to gain control of inflation, there has been some modest evidence of improvement of our trading position. As our anti-inflationary policies continue, we expect a further improvement. At the same time, it is important to take vigorous steps to improve our exports.

One of the most disquieting trade developments has come in the field of agricultural trade. Although there has been a general reduction in trade barriers in recent decades, there have been contrary trends in agricultural trade. In particular, high trade barriers in a number of countries, used to protect high domestic prices, have created difficulties for our agricultural exports. We have protested against these measures as each new barrier has been raised and have on occasion been reluctantly forced to threaten or to actually take retaliatory measures.

During the past decade, there has been a major integration of the economies of Western Europe. We see ahead the prospect of an enlargement of this community. We wish our friends in Europe well in their efforts toward economic and political unity and will watch their steps toward this end with sympathetic interest—remaining alert, however, to the need for respect for our commercial interests. We would expect, of course, that in the process of enlargement of the European Community, due regard will be given to the rights and interest of the United States and other third countries.

IMPROVED EXPORT PERFORMANCE

For a number of reasons it is possible that American industry has been less export-minded than that of other major competing industrialized countries. Attractive alternatives to export sales development—in our very large domestic market for example, and in the alternative of direct foreign investment abroad for manufacture of products in locations closer to the foreign markets being served—have existed for American industries to a greater degree than for foreign companies. Furthermore, our tax laws tend to favor sales by foreign subsidiaries of U.S. corporations over exports from the United States. Administration witnesses will submit a legislative proposal to improve the tax situation for income earned on exports.

United States exports have increasingly shown a concentration in capital goods and other technologically advanced products. It is customary in domestic as well as international trade in such items for the seller to provide credit on comparable conditions with those provided by his competitors. Important steps have been taken by the Export-Import Bank in the past year to make U.S. Government export credit and guarantee programs as flexible and useful as possible to a wide range of American producers. These steps include a complete revision of the commercial bank discount program to encourage banks throughout the country to respond favorably to financing requests from exporters on a continuing basis, and initiation of an advance commitment procedure that has been most useful to buyers, suppliers and manufacturers.

Significant steps also have been taken to assist U.S. engineering and contracting firms in achieving contract awards for major projects. Money sources from outside the United States have been attracted to finance American exports as a result of the extension of the Export-Import Bank's guarantee authority. Special attention has been given to small business and agriculture through modification of the export insurance operations and through specific program assistance. The American aircraft industry and nuclear power developments have been substantially aided through the actions of the Bank. The key aspect of the Export-Import Bank's new look is greater cooperation and flexibility. Our exporters can look forward to continued expansion of Export-Import Bank activities.

The export programs I have just described, when taken together with the stepped up trade promotion programs of the Department of Commerce and the opening up of foreign markets through the reduction in foreign tariffs and other obstacles to trade, provide strong incentives for American industry to export more. These programs take into account the advice received from all segments of American business, both large and small, as represented by the National Export Expansion Council, as well as other groups. The benefits of an increase in exports should be felt throughout our entire economy. One statistic alone makes this point very strongly: in 1969, about 2.7 million jobs were attributable to U.S. exports.

As you begin hearings on this most important legislation, I want to express my appreciation for your careful attention and my high hope for results that will greatly enhance the U.S. trade position.

Sincerely,

RICHARD NIXON.

STATEMENT BY HON. CARL J. GILBERT, SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Mr. Chairman, members of the committee, I am delighted to appear before you today to begin the discussion of the proposed Trade Act of 1969, submitted to the Congress by the President and introduced by the Chairman and Mr. Byrnes as H.R. 14870. In my remarks I will try to avoid duplicating what members of the Cabinet, who will appear before you later this week, will be discussing with you. I also do not intend to dwell long on the past history of our foreign trade policies nor how they have evolved since we embarked on our present course in 1934.

Rather, I would stress to you the need for meeting the problems of today. There are pressing issues before us which must be resolved. We have lived too long with a course that was last set in 1962, while times and realities have not only been changing, but at a steadily faster pace. We have been trying to make do with tools that need sharpening and trying to bridge gaps which need filling.

We have steadfastly pursued this course now for 36 years. We have long recognized that competition cannot stop at the ocean's edge or at international borders, and that expanding trade on a fair and equitable basis with adequate provision for both domestic and international adjustment is in our national interest, as it is in the interests of others.

This administration has reviewed this policy carefully. It has examined its results and its means. We find that its continuation remains clearly and most assuredly in our national interest. At the same time, however, it is also clear that the problems and the goals in world trade differ today and will differ in the future from those of the past. The rapid tempo of change in our rapidly changing world will require new responses and new initiatives.

The purpose of the proposals before you is to meet these needs and to provide us with the means to meet the new patterns and problems of world trade. They do so with full recognition that economic interdependence, a theme that was once a goal has now become a reality, and that others can now compete in world markets with us on far more even terms than they could not long ago.

They also take full account of the current fact that the traditional surplus in trade we long enjoyed has diminished. They reject without qualification, however, the argument that we therefore must abandon our traditional approach and seek to turn inward or to set some arbitrary limits on the forces of free world competition. Our reasons can be expressed simply. As the President stated in his Message to the Congress:

> I reject this argument not only because I believe in the principle of freer trade, but also for a very simple and pragmatic reason: any reduction in our imports produced by U.S. restrictions not accepted by our trading partners would invite foreign reaction against our own exports—all quite legally. Reduced imports

would thus be offset by reduced exports, and both sides would lose. In the longer term, such a policy of trade restriction would add to domestic inflation and jeopardize our competitiveness in world markets at the very time when tougher competition throughout the world requires us to improve our competitive capabilities in every way possible.

In fact, the need to restore our trade surplus heightens the need for further movement toward freer trade. It requires us to persuade other nations to lower barriers which deny us fair access to their markets. An environment of freer trade will permit the widest possible scope for the genius of American industry and agriculture to respond to the competitive challenge of the 1970's.

The proposals before you are modest in scope, but significant in their impact. They will permit us to continue to move forward toward freer world trade on a fair and balanced basis. They will better equip us to meet the perplexing and often difficult problems of import competition. They fundamentally recognize and provide the necessary answers to the need that, while we seek to advance the interests of all the world's peoples, we must first of all respect and provide for our own legitimate interests.

We are a large nation with many interests. Our goal must be the interests of all 205 million of us. We would do ourselves a disservice, for example, to look inward and seek to protect our industries from the forces of competition, whether originating here or abroad. Yet we cannot let the burden of a policy that is in the interests of all fall unduly on the few, nor can we sit by if others do not equally open their markets to us or fail to live up to the established rules of the game.

We must seek a middle course, of sharing and competing, of providing necessary relief and insuring that adjustment is made to our changing times in an adequate and humane manner. Where the forces of competition loom too rapidly or too large for the normal processes of adjustment which are inherent and basic to our market economy, we should intervene to moderate the impact and to facilitate the adjustment process.

But in doing so we should not depart from what has long been the keystone of our trade policy and is, indeed, the keystone of the international trading system embodied in the principles of the General Agreement on Tariffs and Trade. This concept is that a nation can take these measures only when injury occurs or is threatened. It is fundamental to the trading world in which we live, to the system of rights and obligations we have gradually built among nations. Without it there could be no rule of law in trade, no reasonable expectation of certainty so necessary for economic activity, no means of policing or enforcing binding obligations. It works to protect our rights which, as the world's largest exporter, are of great importance to us. It would not be difficult to envision the results if we were to cease to respect this concept or to embark on a unilateral course affecting the vital interests of others.

The specific proposals before you in H.R. 14870 are designed to accomplish these purposes, to strengthen our ability to live within the world trading system we have done so much to create, and to insure that the interests of all our citizens are well served. The first of these is the proposed amendments of the escape clause as it was provided for in the Trade Expansion Act of 1962. This provision, I need not tell you, has not worked. Its tests proved so stringent, so rigid, and so technical that in only three instances in eight years has the Tariff Commission been able to justify a recommendation of relief to the President. This must be changed. As the President has stated:

> Freer trade brings benefits to the entire community, but it can also cause hardship for parts of the community. The price of a trade policy from which we all receive benefits must not fall unfairly on the few—whether on particular industries, on individual firms, or on groups of workers. As we have long recognized, there should be prompt and effective means of helping those faced with adversity because of increased imports.

The proposals before you provide significant improvement in the means by which U.S. industries can receive assistance to meet injury caused by imports. They will better enable us to provide, case-by-case, careful, adequate, and expedited consideration of petitions for relief on a fair and reasonable basis.

We propose that the test be simple and clear: relief should be available to industries whenever increased import are the primary cause of actual or threatened injury. The present link to a past tariff concession has been the major stumbling block encountered by the Tariff Commission. It should be removed and our attention properly focused on the real issue—has import competition been the cause of injury? By replacing the present test of major cause and requiring a finding that it be determined to be the primary cause, that is, greater than any other cause but not necessarily greater than all other causes combined, we would insure that action is taken only when imports are the most important, single cause but still leaves the escape clause a realistic avenue of relief.

Since such a finding can lead to industry-wide relief and since it normally will require payment of compensation by other American interests, it should not be taken on any lesser grounds. The Bill before you would make no other changes in the present escape clause provisions in the belief that with the changes proposed the Act will offer the means to provide fair and reasonable treatment.

The bill, moreover, continues the vital premise that industry-wide relief should remain a temporary measure, a measure designed to permit time for adjustment, and not a means to effect permanent changes in our tariff system. An industry provided with relief must assume responsibility for improving its competitive position and must take positive measures during its period of grace. Thus, the Bill also provides for regular reports on these efforts and that the reports be taken into account in determining whether and to what extent relief should be continued.

The second major feature is one which Secretaries Shultz and Stans will discuss in detail with you. I must note that liberalized adjustment assistance proposals are equally necessary at this time.

The difficulties in the interpretation of the present provisions should be removed so that firms and workers in demonstrable need of assistance can reasonably expect expedited, sympathetic consideration. I would also note briefly our belief that direct aid to firms and workers injured by competition, while the rest of their particular industry is not in need, should be more readily available than tariff or quota relief for an industry. Such assistance can be more properly tailored to the particular needs to provide necessary measures of domestic assistance, while having no adverse side effects on our overall trade policy.

The third major proposal before you is to equip the President with modest tariff-reducing authority. The authority delegated to him by the Congress in 1962 expired in 1967. Since then he has had no authority to engage even in minor adjustments in fulfillment of our international obligations nor to seek to correct or improve situations which otherwise would be considered to be in our interest to do so.

The requested authority is not designed to be used as authority for any major tariff negotiations, for none are contemplated in the immediate future. Rather, it is intended to make possible such minor adjustments as individual circumstances from time to time require as, for example, when it becomes necessary to raise the duty on an article as the result of a favorable "escape clause" action or when a statutory change is made in a tariff classification. Our trading partners are then entitled to reasonable compensation, just as we are entitled to receive it from them under the same circumstances. The lack of such authority unnecessarily exposes our exports to the withdrawal of tariff concessions of vital interest to us.

We propose that the Congress provide the President with such authority through June 30, 1973. Authority to make reductions up to 20 percent or by two percentage points would be used sparingly and judiciously with all of the prenegotiation requirements fulfilled as now specified in existing legislation. It would not be used to reduce any duty on products now experiencing severe import competition, nor for any new, large negotiations. Parenthetically, I might say that the tariff-cutting authority provided by H.R. 16920, also before the Committee, would not be effective since by and large the only residual authority remaining after the Kennedy Round cuts is confined almost entirely to import sensitive areas which we would not find it feasible to utilize.

The fourth major proposal involves what I believe is an essential first step in the direction of a sustained and serious effort to reduce nontariff barriers to trade--the elimination of the American Selling Price system of customs valuation. This is necessary to carry out the supplementary agreement on chemicals, an agreement entered into in 1967, which provides benefits to other industries as well as the chemical industry itself. The ASP system primarily affects certain chemicals and rubber-soled canvas-upper footwear, as well as canned clams and an obsolete category of wool gloves.

This proposal was submitted to the Congress by the previous Administration. It has now been carefully reviewed by this Administration. We consider the arguments in favor of elimination to be valid. The ASP system is an obsolete, unfair, and an unnecessary provision of our present law which places an altogether disproportionate burden upon our ability to seek fair treatment and to advance our own proper commercial interests abroad.

I will not here repeat all of the case for elimination of ASP in detail since the Committee has previously held hearings and the public record on this issue is particularly extensive. I also understand we will have a later opportunity to discuss the issues involved in greater detail. The removal of ASP will not adversely affect our interests but, rather, will bring reciprocal reductions in both foreign tariffs and certain nontariff barriers to our trade. Beyond this, it will serve to unlock the door to new negotiations on modification or elimination of other nontariff barriers. Because of the symbolic importance our trading partners attach to ASP, it has become a major barrier to the removal of other barriers.

The principal area of controversy, as you well know, revolves almost entirely around this proposal as it applies to certain chemicals known as benzenoid chemicals. This system dates from 1922 when the Congress determined that our then infant chemical industry was in need of a very special and very steep form of protection, in certain instances ranging to over 100 percent. There can be no doubt today that benzenoids are no longer an infant industry. Instead, they are now an integral part of our overall chemical industry.

There can similarly be no doubt that conditions in 1970 are vastly different from those of 1922. Companies devoted solely to benzenoid production today are rarities. The large, integrated American chemical firms have established their competitive ability and industrial leadership both at home and abroad. Five of them, for example, account for two-thirds of all benzenoid intermediates, four make more than half of all dyes, and eight produce three-fourths of the bulk drugs. For these industry leaders, benzenoids are but a part of their overall business.

The chemical industry's large and consistently growing surplus in world trade clearly attests to its international competitiveness. That surplus is now over $2 billion a year, double what it was as recently as 1961 and $300 million larger than it was when the Kennedy Round ended. This favorable trade balance in chemicals is all the more noteworthy in that it is built on surpluses in chemicals with every major region of the world, including our principal competitors. And we have a trade surplus in benzenoids, too, the area for which we have been providing extraordinary protection. The industry has accomplished this record, moreover, while at the same time, investing large sums in production capacity overseas.

While the ASP tariff system imposed in 1922 impels us to treat benzenoids separately, it is not possible to isolate precisely their production from that of the rest of the industry. What do the available facts show?

The benzenoid segment of our chemical industry accounts for almost 10 percent of the industry's sales. The recent annual growth rate in this segment has been about 30 percent above that of the chemical industry as a whole. It is one of the more rapidly growing lines of the industry and, indeed, of our entire economy.

Benzenoid export sales, moreover, have grown even more rapidly than domestic benzenoid sales. They probably now total about one-fourth of all chemical exports from the United States. While separate export data are not compiled, a reasonable estimate is that benzenoid exports are running at eight times imports and are 15 times greater than those imports of benzenoids which the Bureau of Customs classifies as competitive.

Salient facts such as these speak for themselves. The benzenoid sector is a strong and growing segment of a larger, powerful industry of which our nation is proud. Its competitive ability has been proven, and there is little reason to expect prospects for the future to be vastly different. Certainly it is no longer an infant industry.

The Administration believes that the chemical industry itself will be the major beneficiary of the chemicals agreement negotiated in 1967 if the trade opportunities are fully exploited. If the separate supplementary agreement on chemicals is implemented, there will be virtually no European Community or United Kingdom chemical rate above 12.5 percent. Japanese duties will be well below 15 percent. Our duties, on the other hand, for the allegedly sensitive areas will remain well above the rates prevailing in other countries. U.S. dyestuff tariffs, for example, will be 30 percent, as against 15 in the United Kingdom and 10 percent in the Community. In sum, chemical tariffs in our major markets will uniformly be reduced to very low levels. These reductions should provide important new opportunities for both increased export sales, new jobs, and greater profits on our current exports.

Other trade benefits and elimination of some foreign nontariff barriers will accrue to the United States if ASP is repealed. These benefits are important to other U.S. industries.

The fifth major proposal before the Committee is a request that the Congress join in the task ahead of us of dealing with other nontariff trade barriers. This task will require much detailed negotiating and hard bargaining. Unlike tariffs, these barriers are very complex, elusive, even sometimes hard to define and identify. Unlike tariffs, any approach to dealing with them is difficult to embody in a prior delegation of authority such as that which has been the principal vehicle for Congressional guidance and authority to trade negotiators since our Trade Agreements Program began decades ago.

Many of these problems—here as well as abroad—have deep roots in purely domestic concerns, in social, political, and economic origins. They are often only indirectly related to foreign trade and often originate in domestic legislation. As such, their removal would often require specific legislative action, though the nature of such action in many cases could not finally be clear until actual negotiations develop what is possible and what price we might have to pay.

For these reasons, the President has stated that he would welcome a statement of Congressional intent with regard to nontariff barriers. I can assure you from my brief experience in my present capacity as Special Representative that this expression would greatly strengthen our efforts to come to grips with the many problems in this area and, eventually, to secure reciprocal lowering of such barriers.

The President has pledged, in proceeding under such a declaration, to keep the Congress fully informed of developments, to maintain close consultation with it during the course of any negotiations, and, of course, to submit for its consideration any agreement which would require new legislation.

As the President has stated,

> * * * The purpose of seeking such an advance declaration is not to bypass Congress, but to strengthen our negotiating position.
>
> In fact, it is precisely because ours is a system in which the Executive cannot commit the Legislative Branch that a general declaration of legislative intent would be important to those with whom we must negotiate.

The sixth major issue the Bill puts before you is our request for strengthening our hands when our interests are treated unfairly abroad. By its nature, trade must be a two-way street. One of our major responsibilities is to make every effort to insure that American products are allowed to move freely and fairly along that street, to compete in world markets on equitable terms.

These efforts will be more successful if we have adequate means to take effective action when confronted with illegal or unjust restrictions on our exports. We now have unlimited authority in section 252 of the Trade Expansion Act of 1962 to impose duties or other import restrictions when our agricultural exports are unjustifiably restricted. There is no reason why this power should be confined to agricultural products; it should apply to industrial goods as well. Such authority on the books acts as a deterrent even though it may not be exercised. It has proven to be, for example, a most useful persuader in the case of soybeans where a tax on our exports of soybean oil is from time to time proposed. It has been equally effective in other cases.

This authority, however, has not been useful in dealing with the problem of meeting unfair competition in third-country markets, where a competitor's product, for example, may be enjoying an advantage over our exports which is not justified. The Bill requests authority to take appropriate action against countries practicing what amounts to subsidized competition in third-country markets when that competition unfairly affects us.

Any such weapon is most effective when its presence makes its use unnecessary. With these two new provisions, we should be better able to defend the legitimate interests of our exporters.

We propose no simple, comprehensive answers to the complicated and changing problems this nation faces in the trade field. Instead, we seek constructive changes in our authority which should make possible new initiatives to seek sound and reasonable solutions to the problems we face ahead.

Thank you, Mr. Chairman.

PAGE 12 BLANK

STATEMENT OF HON. MAURICE H. STANS, SECRETARY OF COMMERCE

Mr. Chairman and members of the committee, before I turn to the specifics of the trade bill, I should like to provide you with a brief overview of where the U.S. stands in today's world trade picture and also touch upon our trade prospects for the immediate future.

U.S. AND WORLD TRADE IN PERSPECTIVE

By any standard, the postwar growth in world trade has been phenomenal. In the 20-odd years before World War II, there was very little net growth. World trade peaked in the 1920's and then fell sharply during the 1930's. In 1938, exports of all nations combined added up to less than $25 billion. By contrast, in the past 20 years free world trade has grown some 350 percent, from exports of about $55 billion in 1950 to about $245 billion in 1969. The U.S. shared in the benefits of this unprecedented expansion of international trade. Our exports in the same period rose from $10 billion to over $37 billion.

Such vigorous postwar growth would not have taken place unless the nations of the free world had determined not to repeat the mistakes of the 1930's in building higher and higher quota and tariff walls, engaging in ever-escalating retaliatory actions and waging mutually destructive trade battles. Instead, with the U.S. in the forefront, they decided to work together in a long-term effort to dismantle to the extent possible the multiple restrictions and protective measures that hobbled the exchange of farm and industrial commodities between peoples, manufacturers and retailers of different countries.

For some two decades after World War II, the U.S. enjoyed comfortable export surpluses which provided strong support to our international payments position and helped importantly to finance our worldwide security responsibilities. During the 1950's, our trade surpluses averaged nearly $3.0 billion annually. From 1960 to 1967, they averaged over $5.0 billion annually. In the past two years, however, our export balances have shrunk drastically, hovering around the $1.0 billion range on a total trade turnover of some $70 billion. Such a narrow balance constitutes very thin support to our balance of payments and gives reason for concern about our present international trade posture.

Many reasons have been cited for our deteriorated trade position: the sharp expansion in our domestic economy, the apparent growth in consumer preference for certain foreign-made goods, the increased industrial capabilities and marketing know-how of Europe and Japan, the narrowing of our technological and managerial lead, more agricultural self-sufficiency abroad, and greater emphasis on the export sector in other countries. Competent analysts, however, have differed widely among themselves as to the emphasis and weight to be accorded each of those factors in the total picture of cause and effect. This country's trade involves thousands of commodities being exchanged with over 100 countries. It is not surprising, therefore, to find, even among the experts, diversity of opinion in trying to analyze so complex a process subject to such a multiplicity of influences.

One point is clear. Our export growth in recent years, while impressive in absolute terms, has not kept pace either with the growth in foreign import demand or the growth in our imports. In the last five years, for example, the annual rise in total U.S. exports averaged 7.6 percent while the annual rise in foreign import demand averaged some 9.0 percent. Our manufactured exports rose an average of 10 percent a year while our agricultural export growth actually declined. By contrast, our total import averaged about 14 percent a year, with the growth in manufactured imports averaging some 20 percent. Whatever the priority of causes for the deterioration, we face the question: Is our present situation a temporary one or shall we recover in due time?

THE OUTLOOK FOR U.S. TRADE

For the short run, as much as one can read the crystal ball at this stage, we see a somewhat better trade balance for 1970, but it is too early to make any specific estimates.

Last year our imports rose 8.5 percent over 1968; this year we would expect a somewhat smaller rise. Much, of course, depends on the extent to which the slowdown in the domestic economy moderates pressures for imports. Conversely, our exports depend on the demand for imports abroad, which could in turn be affected by a decline in imports by the U.S. Most signs point to some slowing down this year in the rate of economic expansion in Europe and Japan, but we hope, through our intensified export promotion measures, at least to maintain if not increase last year's export growth of 9.5 percent.

As for the longer term outlook, a guess is even more difficult. We hope, as I said, to maintain a good rate of growth in our exports. It appears probable that we shall reach our goal of $50 billion in exports by the end of 1973. On the import side, many more unknowns and variables are involved. But it seems fair to say that even with a slowdown in the growth of our purchases from abroad, it is not likely within the next few years that we shall achieve the spread between exports and imports which will restore our former annual surpluses of $4–5 billion.

When or whether the U.S. can regain balances of such magnitude depends upon how well we compete in the marketplace. Today we stand on the threshold of a new decade of trade developments, and we shall have to examine our trade posture from fresh perspectives.

The last decade gave rise to a host of factors which have deep implications for our future trade position: a completely recovered and economically strong Europe and Japan, an accelerating trend toward regional market groupings, a proliferation of preferential trade agreements, the increasing, though as yet unmeasured, impact of multinational corporation operations, the growing capabilities of the developing countries in manufactured goods, and a shifting composition of our own exports and imports.

KEY POINTS IN THE TRADE BILL

The trade bill which you are considering (H.R. 14870) was not designed, as you know, to deal in detail with the substance of all the aforementioned factors. No one bill could do that. But the trade bill before you will provide needed solutions to some of our more immediate and pressing problems. It is an important piece of legislation for several reasons.

From the standpoint of U.S. industry, a feature of this bill which I consider of prime importance is the proposed amendment of the escape clause provisions. As you know, the escape clause permits the President to increase tariffs or otherwise impose restrictions if it is found that increased imports are causing or threaten to cause serious injury to a domestic industry. The basic reason for including an escape clause mechanism in U.S. trade legislation has been to provide a reasonable period of time for the affected domestic producers to improve their operations so as to be in a better position to meet the competition from imports. The recent increase in demand for particular imported products has intensified the need for greater flexibility in being able to furnish necessary relief to those who are injured. Under the provisions of the Trade Expansion Act of 1962, U.S. industries have generally found it difficult to obtain such relief. The proposed amendment will liberalize the criteria for findings of injury and thus provide the desired flexibility. It would ease the eligibility requirements by reducing the test for import injury from "major" factor to "primary cause" and would also eliminate the need to establish a causal link between an increase in imports and previous tariff concessions.

The amendment, if adopted, will provide much less reason for American firms and workers to feel that their only recourse from import competition is to seek relief through special legislation.

It must be borne in mind, however, that making relief more readily available to our industry in the form of tariff adjustment or other restrictions on imports carries with it the responsibility to compensate countries whose trade may be adversely affected as a result and who are legally entitled to such compensation under the provisions of the General Agreement on Tariffs and Trade. This is the primary purpose of the proposal to authorize the President to reduce tariff rates by 20 percent, and the two proposals are therefore interdependent. We must be in a position to offer compensatory tariff reductions to countries whose exports are adversely affected by the granting of escape clause relief under the liberalized criteria. Otherwise, we can expect them to exercise their right under the GATT to retaliate against the exports of other U.S. industries.

ADJUSTMENT ASSISTANCE FOR FIRMS

This brings me to the feature of the bill for which the Department of Commerce has primary administrative responsibility: adjustment assistance for firms. The proposed amendment would clearly have the effect of making adjustment assistance more accessible to more firms. As in the case of the proposal on the escape clause, this amendment would eliminate the present requirement to prove a linkage between past tariff concessions and increased imports—a relationship which is at best exceedingly difficult to establish in a dynamic market situation. The Administration's proposed amendment would also provide that adjustment assistance be available to firms if increased imports are a "substantial cause" of serious injury rather than the "major" factor, as now provided. "Major" factor has been interpreted to mean at least 51 percent of all causes whereas "substantial cause" is intended to mean an actual and considerable cause but not necessarily one that is greater than any other single cause.

The bill would also transfer the function of making determinations on the existence and cause of injury from the Tariff Commission to the President, although the Commission would continue its fact-finding investigations. This change is intended to streamline procedures and place full responsibility on the executive branch, which is charged with administering the program.

Finally, the bill would give authority to grant adjustment assistance when an "appropriate subdivision" of a firm suffers injury. Under the present law, the firm as a whole must demonstrate injury in order to qualify for assistance.

We made no suggestions in the bill for changes in the assistance we are authorized to provide individual firms. This was because, in the eight years this program has been on the books, we have not had the opportunity to certify a single firm as eligible to apply for aid and consequently we have had no experience in operating the program. However, the two escape clause decisions by the President in February—on upright pianos and sheet glass—made it possible for the first time in history for firms to apply for assistance. The Department of Commerce has now received a number of official requests for eligibility certificates and has been contacted by several firms for advice on application procedures and requirements.

Without the needed background of experience in administering adjustment assistance, I cannot tell you at this time whether the authority we have will prove adequate to the task envisioned by Congress of assisting injured or threatened firms to adjust to import competition. We are making a major effort now to organize so that we can be fully responsive to any firm that may be certified as eligible. We have assigned responsibility for administering the adjustment assistance program to the Office of Business Programs, Business and Defense Services Administration. That office is coordinating our preparations within the Department and is establishing the necessary liaison with other agencies able to provide assistance under the program.

I would expect that the Adjustment Assistance Advisory Board, as provided in the Trade Expansion Act, will take an active role in the development of adjustment assistance programs. That Board, which I chair, consists of the Secretaries of the Treasury, Agriculture, Labor, Interior, and Health, Education, and Welfare, the Administrator of the Small Business Administration and other officers the President wishes to appoint. In view of the diverse agencies represented on the Board, I think that it can make a meaningful contribution to the development of a coordinated and sound program.

NONTARIFF BARRIERS AND ASP

A feature of this bill which may have longer range implications for U.S. trade policy, particularly if it is supplemented by an expression of Congressional interest in pursuing the elimination of nontariff barriers, is the proposal to eliminate the American Selling Price system of valuation for certain products, primarily benzenoid chemicals. The elimination of the American Selling Price system would mean that other countries would carry out their agreements under the Kennedy Round and move ahead to reduce their tariffs on imports of certain chemical products. This action thus would improve our export possibilities in major foreign markets. I am convinced that efforts to get our major trading partners to examine possible solutions for reducing or eliminating nontariff barriers will be significantly affected by the decision of the Congress on eliminating or retaining the American Selling Price.

I would like to outline briefly for the Committee how the efforts which our Government initiated concerning nontariff barriers are progressing in the GATT. The Committee on Trade in Industrial Products has completed a thoroughgoing examination of some 800 nontariff barrier items affecting trade in industrial products that were submitted by member countries. These barriers fall into five broad categories: (1) government participation in trade, such as subsidy programs and state trading enterprises; (2) customs and administrative entry procedures; (3) standards; (4) quantitative and other limitations on imports and exports; and (5) use of price mechanisms to limit imports and exports. Accordingly, five subgroups of this Committee have now begun to search for possible solutions to the removal of these barriers. All of the work so far is preparatory to possible future negotiations and does not involve any commitment to implement any of the solutions discussed.

A realistic view of the prospects for reducing or eliminating nontariff barriers is that progress will be slow and difficult. As in tariff negotiations, the principle of reciprocity applies. We will have to give something to get something. Most of our nontariff barriers, such as ASP, and those of other countries are statutory and can be modified only through legislative action. While there seems to be general agreement among our major trading partners that ways and means can be found for dealing with at least some of these barriers, we have had a number of indications that they are not prepared to commit themselves to work actively towards this objective without some assurance that the United States Congress supports the Administration's efforts.

The trade bill also proposed two additional means of strengthening the President's hand in seeking an end to certain foreign practices that unfairly impede U.S. sales abroad. Under one proposal, the authority the President now has to take action against countries which maintain unjustifiable import restrictions on U.S. agricultural products would be extended to cover U.S. nonagricultural products as well. The second proposal would permit the President to take appropriate measures in cases where subsidized exports to third country markets unfairly affect competitive U.S. exports in those markets as a result of such subsidization.

MEASURES TO EXPAND U.S. EXPORTS

This bill, on the whole, is geared primarily to give us needed tools to help handle our import problems. That does not mean that we are not seriously concerned with our export problems. This Administration in the past year has probably taken more effective and meaningful steps to expand our exports than have been taken in any similar period of recent history. To cite some examples:

* * * In the field of financing, we have made encouraging progress in broadening the export financing programs of the Export-Import Bank and its private affiliate, the Foreign Credit Insurance Association. The Eximbank has been able to expand its participation in financing commercial export paper. The bank is also using its guaranty authority to support greater commercial bank financing for exports. Also, the Federal Reserve has partially liberalized its restraint on foreign lending for U.S. exporters.

* * * In the field of transportation, we have taken two forward steps. We are in the process of completing measures to simplify Shippers' Export Document procedures and we have begun discussions with other governments on international standards for containerized shipments. We are also looking into proposals for reducing U.S. rail rates on exports and promoting use of U.S.-flag vessels.

* * * We have stepped up our efforts to encourage U.S. industry to export more of its products. We feel that the potential of American business to sell abroad is being only partially realized, with many firms unaware of the profit possibilities and opportunities to broaden their markets by exporting.

Commercial exhibits abroad have proven a valuable aid to export promotion. This fiscal year, the Department of Commerce plans to stage 22 trade fair shows abroad and 51 shows in our overseas trade centers. These centers are located in key marketing areas which have a high potential for sales of American products. About 2,500 American manufacturers are expected to participate. In the next fiscal year we intend to mount 23 trade fair exhibitions and 63 trade center shows. We will also improve the effectiveness of our trade centers by adding market development assistance services and more between-show activities.

Furthermore, we have established an International Business Assistance Service to coordinate and expedite government action on behalf of businessmen who need help on specific export problems involving U.S. or foreign government agencies.

In addition, we are making more sophisticated and comprehensive foreign market research information available to U.S. business on specific export opportunities for specific products. We intend to improve this information service by the use of automated techniques. The number of trade missions to foreign markets will be expanded, with more specialization in approach.

There is much more to be done, of course, but we feel that we are moving in the right direction and can take satisfaction in the real steps being taken to expand U.S. exports.

THE ROAD AHEAD

To conclude, the road ahead for U.S. and world trade gives every promise of leading to new heights in the volume and value of goods exchanged. But it will also have its rough stretches and tight turns. The measures requested in the trade bill will permit us to negotiate those stretches and turns with improved chances for success. They will provide the President with the flexibility he needs to further U.S. interests at the bargaining table and to act promptly when developments adversely affect those interests.

PAGE 20 BLANK

Statement of Hon. Maurice H. Stans, Secretary of Commerce

TEXTILES

The problem of textile imports is not, as the Committee well knows, a new one. Rising imports of textiles and apparel have long been of concern to many in the Congress, to industry and labor, and to the Executive Branch.

President Nixon, as one of his early actions, asked me to work for international agreements that would enable us to assure a more orderly pattern of import growth for the future than has been the case in the past several years. I shall describe the negotiations that have taken place thus far. But first, I would like to sum up the situation in the industry, with labor, and in the trade.

I. BASIS FOR ADMINISTRATION POSITION

The basic reasons for our position on the textile import question are as follows:

1. The textile and apparel industry makes a major contribution to the economic health and well being of the country and its workers. At the present time the industry directly employs about 2.4 million workers and provides the principal livelihood for many hundreds of thousands more on cotton farms and wool growing ranches, in the man-made fiber industry, and in related service industries whose sales depend upon the continued good performance and strength of the domestic textile and apparel industry.

The industry is also a major employer of minority workers, of women, and of the under-skilled. For the first time in many years this industry now ranks above the national average for manufacturing industries in the employment of minority group workers. It is a vital source of job opportunities and job training for new entrants into the labor market, providing a continuing basis for their economic advancement. But employment has been declining in the past year. March employment was 53,000 lower than the previous March.

2. Notwithstanding the existence of the Long Term Arrangement on Cotton Textiles and the bilateral agreements thereunder, textile and apparel imports have increased dramatically. This has been particularly true of articles outside the scope of those arrangements. In 1962, our imports of cotton, wool, and man-made fiber textile products amounted to 1.5 billion square yards, of which cotton textile products accounted for 1.2 billion. In 1969, these overall imports amounted to 3.6 billion yards, with cotton textile products at 1.6 billion yards and man-made fiber textile products at 1.8 billion yards. We are importing in 1970 at an annual rate of 4 billion yards.

3. The United States trade balance in textiles can be described in only the bleakest terms. As recently as 1961, we enjoyed an export sur-

plus in textiles and apparel made from cotton, wool, and man-made fibers. This position reversed itself in 1962, and in each subsequent year the deficit of imports over exports has climbed rapidly. In 1966 and 1967 it was just over $500 million, in 1968 it rose to more than $800 million, and last year, it amounted to almost one billion dollars. A key element in this trend is man-made fiber textile product imports. Between 1966, the last surplus year for man-mades, and 1969, the balance in the products shifted from a surplus of $43 million to a deficit of $348 million. The deficit in wool textile products has grown from $192 million in 1961 to almost $400 million in 1969.

4. Two key factors in the deterioration of this trade picture are, first, the existence of agreements and other unilateral measures by which other countries restrict access to their markets for the same products, and, second, the large gap between wages in the United States and in other foreign textile producing countries.

Restrictions on textile and apparel imports have long been maintained by other countries on products from the same countries now shipping so heavily to the United States. I am submitting for the record a detailed listing of these limitations—in so far as we know. Other limitations established through private agreements and administrative action also contribute to the channeling of exports of these goods to the U.S. market. These administered restraints long have been the subject of international complaint, but they evidently persist in many countries.

United Nations figures, in addition to our own import figures, bear this out. Data now available show that in 1968 while the United States took 20 percent of Japan's textile mill products exports, the EEC imported only 3 percent. We imported 51 percent of Japan's apparel exports and the EEC took only 5 percent.

A large portion of Japan's textile mill product exports goes to Hong Kong where it is made into apparel. We imported 38 percent of Hong Kong's apparel exports in 1968 (first half only) while the EEC took 14 percent. In the mill products sector, we imported 32 percent of Hong Kong's exports as against 2 percent for the EEC.

The disparity was equally pronounced for our other major supliers.

In short, our market has been open while others have been closed and the impact has been considerable.

5. Textile and apparel manufacturing, while becoming increasingly subject to automation, remains a relatively labor intensive industry. Our industry has spent billions of dollars to make it modern but virtually all countries have access to the latest technological innovations. In most cases, the wage differential between United States and foreign manufacturers provides the crucial margin of advantage which enables foreign goods to move heavily into the U.S. market.

One example will suffice to show the nature of the problem. Apparel workers in the United States receive on the average $2.38 per hour. The same work done in Japan, the highest paying of the Far Eastern countries, receives $.57 per hour. In Korea $.13 is the hourly wage for this work when done by men, and $.07 when it is done by women. (These figures exclude the variety of fringe benefits and indirect costs which vary from country to country and among firms.)

Within the domestic industry as a whole, imports have had a range of effects varying in intensity. Some sectors have seen their own production decline while imports grow, others have managed to hold steady, even while yielding all growth in the market to imports. I am sure that industry witnesses before this Committee will give case studies and examples, and I shall refrain from doing so at this point. A principal concern of ours, however, has been to establish a mechanism that permits us to move quickly to prevent disruption from spreading rapidly through large numbers of closely related product lines.

We need a mechanism that can move as the patterns change and not one that comes into play after the damage has been done. This has been the key goal of our negotiating effort, an effort I want to discuss briefly with you at this point.

II. NEGOTIATIONS

The textile issue was among the first major issues in the trade field that we faced in January 1969. Recognizing the need for prompt action, we reviewed the situation, developed a plan and promptly presented it to the major countries involed.

The first full presentation of the issues to the countries concerned was made during the course of my trips to Europe and the Far East in April and May, 1969, both undertaken at the request of the President. These trips were not intended to be negotiating trips on the textile problem. As you well know, the trade problems we face in both of these areas range beyond textiles. What I hoped to acomplish on the textile question was to lay out the situation as we saw it, to emphasize the importance we ascribed to its solution, and to indicate the kind of solution we believed would be most appropriate.

In view of the number of countries concerned, the fast moving nature of the textile trade, the existence of a multilateral agreement on cotton textiles, and of many agreements among third countries, we felt that a multilateral agreement would be best for wool and man-mades. Under it individual importing and exporting countries could negotiate bilateral agreements taking account of particular aspects of their textile relations. A multilateral framework also would offer an opportunity for full and open discussion of all textile restraint agreements, and would establish a mechanism whereby countries not participating in the arrangement could be enjoined from taking unfair advantage of those entering into agreements.

But this suggestion was not favorably received. Some indicated that we should solve our own problems without involving either them selves or the GATT organization. Other factors no doubt played an important role in the development of opposition to the multilateral agreement idea.

Following my trips to Europe and the Far East, we took stock of the situation and the arguments that had been raised. We decided that our preference for a multilateral solution should not be a bar to any progress at all, and therefore determined to move promptly from urging immediate multilateral negotiations to opening bilateral talks. It was our view that any agreements thus worked out could form a basis for later multilateral discussions. In essence, we wanted to be sure that every reasonable avenue was explored. If a multilateral solution was unacceptable, we would talk bilaterally.

Accordingly, last July we took the opportunity of the annual Cabinet level meeting with Japan to suggest that bilateral talks be opened promptly on the textile question, putting aside the multilateral idea at that time.

The Japanese agreed to send a team to Washington to review the facts of the situation and to probe U.S. proposals for a solution. These talks were held in Washington during the week of September 16, 1969. Immediately following these talks—which, as it turned out, did not do any probing of our proposals for a solution—we formally proposed a comprehensive bilateral agreement to Japan covering all wool and man-made fiber textile products.

Our idea was to set separate annual overall levels on trade in wool and man-made fiber textiles, within which there would be group levels and individual levels for various individual product-categories in which import problems were already severe or where substantial damage was clearly threatened. Categories of goods not under these ceilings would be subject to a consultation provision pursuant to which restraints would be developed in the event the import and market situation in other areas begin to deteriorate and specific action seemed necessary. Adjustments in the ceilings would parallel conditions in the domestic market.

In short, the proposed agreement was comprehensive in that its provisions applied to all imports of wool and man made fiber textile products, and yet, it did not impose a rigid ceiling on every product across the spectrum of textile and apparel imports. It was and is a flexible approach. This is the same approach which has worked well in cotton textiles; it would do so in wool and man-mades.

Obviously, we left room for negotiation. We did not present rigid proposals on a take-it-or-leave it basis. We were willing to listen, to revise, to make new suggestions. We were preparad to negotiate in good faith.

Following another series of exchanges through diplomatic channels in Washington and Tokyo, we agreed to meet in Geneva in mid-November, for further discussion. Japan had indicated its very strong objections to any comprehensive agreement, and at these meetings, the United States presented a framework for an agreement which would not involve comprehensive overall ceilings. Our November ideas would have provided full coverage through a series of specific levels on identified products and a consultation mechanism to assure our right to prevent an excessive trade build-up in new categories or areas. We attempted thereby to deal specifically with the Japanese position against comprehensive restraints. This approach was rejected.

Again in December, we met briefly with the Japanese Government's representatives in Geneva and presented a formal proposal for agreement. In light of the reaction to our November proposal, this proposal was based on overall and group ceilings for wool and man-mades in the general pattern of our bilateral cotton textile agreements. Subsequently, on January 2, we formally proposed an agreement based on the trigger mechanism approach first explored with Japan in the November meetings in Geneva.

During this period, proposals for agreement were also put forward to a number of other governments concerned.

We have held many meetings with delegations from these countries and there have been innumerable smaller sessions with individual representatives both here and in foreign capitals. We have presented voluminous data on request, and we have explained the elements of our proposals at great length so as to leave no chance of misunderstanding.

We are at a key point in the textile and apparel import situation. We will know soon whether an agreement can be concluded.

III. TEXTILE PROVISIONS OF H.R. 16920

This, Mr. Chairman, brings me to textile portions of H.R. 16920. Several aspects of these provisions should be modified before the Committee takes its final action on them. I refer in particular to the definition of "textile articles" which we feel is too broad, and to the quota provisions which do not distinguish between disruptive and nondisruptive imports.

We would revise the definition principally to exclude man-made staple fiber and filament, and silk products. We do not believe that these man-made fiber materials should be included within the framework of a textile articles program, as, in reality, they are products of the chemical industry rather than of the textile industry. We do not believe that import restraints in this area are required, and have not included these products in our negotiations with foreign governments. I should add, however, that we would include filament yarns that have been processed. These are textile industry products which can reasonably be included in this bill.

Silk products are imported in relatively specialized areas and in small quantities. As a general proposition they do not substantially compete with American manufacturing and in our view they need not be included in an import restraint program at this time.

As presently drafted, H.R. 16920 would require the imposition of quotas on imports which we feel are not disruptive to the United States market, unless agreements were negotiated. We do not believe that the countries exporting such goods to the United States should be confronted with a situation in which the trade in such nondisruptive articles must be reduced or subject to negotiation. In some cases we feel certain that such a confrontation could lead to retaliation against United States trade. We do not feel that this situation is warranted or necessary to a solution of the textile import problem. The Long Term Cotton Textile Arrangement, which authorizes a flexible approach based on the GATT concept of market disruption has provided a reasonable mechanism. If adequately enforced, this concept gives the protection required without, at the same time, compelling avoidable trade conflict. Accordingly, we would propose the addition of language authorizing the waiver of quotas in situations where a finding is made that the imported articles are not causing or threatening disruption of the domestic market.

Supplementary Statement of Hon. Maurice H. Stans, Secretary of Commerce

TEXTILES

The President is well aware of and concerned with the problems of the textile industry. He has expressed that concern and his determination to do something about it both before and after his election.

The greatly preferred method of solving this problem is through voluntary agreements. Recent action, which I cannot detail today for obvious reasons, leads us to believe more strongly than ever that such agreements can be successfully concluded in the next several weeks. Therefore, the Administration requests the Congress to defer consideration of the textile portion of the Mills bill for several weeks. If by the end of this period our expectations prove to be wrong and we are unsuccessful in negotiating voluntary agreements, we will at that time consider the matter with Congress.

The President also recognizes the pressure on Congress for action. The Congress may well feel it must move ahead with legislation on this matter at this time. But I would urge the Committee to withhold specific action until I can come back at a later date with a further report before the hearings are closed. I ask the Committee's permission to do so.

STATEMENT BY HON. DAVID M. KENNEDY, SECRETARY OF THE TREASURY

I am pleased to appear today to discuss certain elements of the Administration's trade policy and to support H.R. 14870, the proposed Trade Act of 1969. In addition, my associate, John S. Nolan, Acting Secretary for Tax Policy, is prepared to present to you in some detail a specific proposal covering our tax treatment of export income. This proposal is designed to provide tax treatment of export income more comparable to that provided other foreign source income and more in accord with the competitive realities of world markets.

The United States has provided leadership throughout the postwar period for liberal trading and investment practice. The essence of that policy has been to work toward the removal of tariff and other restrictions on trade on an evenhanded and reciprocal basis. We have done so in the firm belief that expansion of international trade and investment under fair competitive conditions is in the interest of all nations.

I believe we can take pride in the achievements of the past, parti ularly in the reduction of tariffs. Our basic approach remains sound. At the same time, we must recognize that, with tariff barriers already substantially reduced, dramatic new breakthroughs are less likely in that area. Our attention must shift increasingly to other barriers to trade—equally real but often less easy to identify and measure. We must also be alert to the hardships and adjustments enforced on particular industries or sectors in response to shifting trade patterns. Otherwise, past accomplishments will be undermined, and we will not be able to maintain forward momentum against the challenge of those who would seek other solutions to their problems—solutions that look inward to unilateral protective measures in one form or another.

H.R. 14870 would provide the Administration with the minimum tools it needs to maintain forward progress, while protecting the legitimate interests of American business and labor. The Special Representative for Trade Negotiations has discussed the specific provisions of that bill in some detail. I would like, briefly, to note the relationship between our approach to trade policy and our broad international economic situation.

Our international balance of payments remains unsatisfactory. This is true despite the fact that during 1969 we achieve some growth in our holdings of gold and foreign currencies, as well as creditor position in the IMF. At the beginning of this year, these assets were further supplemented by the first allocation of Special Drawing Rights.

Moreover, foreign official dollar holdings have declined significantly below peak levels. In each of the past two years, we have recorded some surplus in our official settlements accounts, in a cummulative amount of about $4½ billion.

However, it must be recognized that these shifts in our financial position were primarily a reflection of extremely tight money in the United States. The high interest rates and shortage of funds in our markets attracted a huge inflow of short-term money from abroad. This influx of short-term funds cannot continue indefinitely. Indeed, in 1970, there has already been some reversal. This has contributed, at least temporarily, to a sizable deficit in our external accounts during the early months of the year.

In these circumstances, a new emphasis needs to be placed on developments in the more basic elements of our international accounts. Our trade position is of central importance in this respect. The heart of our present balance of payments problem lies in the fact that, largely under the pressure of internal inflation and overheating, our traditional trade surplus has dwindled away. Standing at about $6½ billion in 1964—roughly 1 percent of our then GNP—our trade surplus declined to less than $1 billion in both 1968 and 1969. Paralleling this drop in our trade balance, our surplus on all goods and services—despite a steady increase in income on foreign investments—has also decreased.

Rebuilding this surplus must be a prime policy objective. There is no other way in which, over a period of time, we can provide the rest of the world with the real goods and services necessary to support our investment activities and international obligations. Moreover, we must restore our trade and current account surplus in a manner fully consistent with our key position in the world economy, and with the role of the dollar as the pre-eminent world reserve and trading currency.

In meeting this challenge, the path of restrictionism is not really open to us, not just as a matter of economic philosophy, but also for very practical reasons. Restrictions which are unfair and unacceptable to our trading partners invite retaliation. Thus no benefit to our trade position is achieved, and spreading restrictions would damage our prospects for regaining a substantial surplus through competitive processes. Moreover, I believe we should recognize that freedom to import is one of the most effective possible checks to domestic inflationary pressures. We cannot expect to maintain a competitive industry at home behind a succession of import barriers. Conversely, as we reap the benefits of our current policies to restrain internal inflation, one consequence will be an improved international trade position. We see evidence of this already. In the first quarter, our trade surplus was about $500 million, almost as much as during all of 1969. This is encouraging, but we have a long distance to go in achieving and maintaining a surplus in the magnitude we need.

Better economic performance over a series of years is essential to that effort. But, in addition, the Administration is undertaking a concerted effort to induce and support efforts of industry to seek out and better develop foreign markets. One major element in that effort is to assure competitive export credit facilities. At the same time, we in the Treasury have reviewed thoroughly the implications of our tax structure for the exporting effort. Specifically, we have appraised such factors as the tax treatment of exporters in other countries, the tax treatment of export income under U.S. law as compared to other foreign source income, and the question whether the U.S. tax structure does not inadvertently contribute to an attitude among many American producers that export markets are of secondary interest, not worth concerted and aggressive effort over a period of years.

This examination has led to the conclusion that, in some respects, our tax system does tend to create an unnecessary drag on exports and actually gives some incentive to manufacturing abroad rather than in the United States. Accordingly, we have developed a proposal for a Domestic International Sales Corporation (DISC). We believe this proposal provides a more equitable and satisfactory basis for the taxation of export income. Essentially, it would permit a company, within prescribed rules, to defer income taxation on exports sold through a domestic export subsidiary. The proposal builds upon and modifies certain existing provisions of U.S. tax law that, in practice, have not been fully effective. It is consistent with international practice and obligations.

Specificially, the DISC proposal recognizes that export income is partly foreign source income, just as income from foreign subsidiaries is foreign source income. This principle that export income may in substance include foreign source income has long been recognized in our tax code, and it has long been a provision of the tax code of other countries. Where this sound tax philosophy has gone astray in the operations of our tax system is that the tax deferral of retained earnings available on foreign *investment* income can only be obtained on *export* income through creating a foreign-domiciled sales subsidiary, which many companies find awkward and impractical. Foreign source income may appropriately be determined by the real place of sale, and the destination of the goods; the domicile of the corporate vehicle through which the sale is passed is a matter of incidental significance.

We believe that this approach is consistent with the basic philosophy of the U.S. tax system. The Committee has before it another bill, H.R. 13713, that would approach the problem from an entirely different direction, providing a rebate to the exporter for taxes directly or indirectly borne by articles exported. I recognize that elements in this approach bear some similarity to the GATT-sanctioned practices of many foreign countries providing a rebate to their exporters for value-added taxes. It would, however, raise a number of issues that have not been satisfactorily resolved internationally. In the circumstances, other countries could well institute comparable provisions related to similar taxes where no rebate is now provided. Moreover, the revenue cost would be substantial. For example, if the rebate should work out to roughly 4 percent, the loss would probably approach $1 billion or more.

It must be recognized that our own proposal, by deferring income taxes on a large volume of exports, would also entail a significant revenue loss. I cannot ignore that impact, in the light of our present budgetary position. Consequently, fiscal responsibility requires that the effective date for action in this area be delayed beyond fiscal 1971 to July 1, 1971.

The estimated revenue impact for the first full year—under our proposal, Fiscal 1972—is expected to approximate $450–$600 million. This revenue impact will, of course, need to be taken into account in shaping our overall budgetary program for that period.

The impact on exports would develop through several channels. Most directly, the tax deferral would increase the profitability of exporting. In many instances this should induce more effective promotional efforts or other measures to compete more effectively. Perhaps more important over time, basic decisions on the location of new investment facilities at home or abroad would be affected, and companies would be encouraged to develop long-range export strategies. Indeed, I believe this shift in taxation would help signal to industry that improved export performance is a national objective of high priority; it would help build the consciousness and attitudes toward exports that this country has been sorely lacking.

In our judgment, the effect of removing the bias against exports in our tax system in the manner proposed should be to generate over time a level of exports a billion dollars or more greater than might otherwise develop.

In summary, we consider the DISC can be an effective companion piece to our liberal trade policy. It is an outward looking measure, resting on a desire to remove impediments to competing more effectively. It can be a part of an effective approach to our entire balance of payments problem, and it is an approach that accepts competitive imports as a factor in our battle against inflation.

At the same time, we must face the fact that, in the light of fiscal requirements, the effective date should be deferred. We urge that this proposal receive your careful consideration in the light of all these factors.

Statement of Hon. John S. Nolan, Acting Assistant Secretary of the Treasury for Tax Policy

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before this Committee to describe our Domestic International Sales Corporation (DISC) recommendation. We make this recommendation because the U.S. tax system presently results in an income tax disadvantage to U.S. export sales as compared to foreign production of subsidiaries of U.S. companies, or of foreign-owned companies. At a time when the U.S. is making every effort to improve its balance of trade, this disadvantage should be removed. The DISC proposal provides for deferral of U.S. tax for a domestic corporation engaged in export sales similar to that presently provided for foreign manufacturing subsidiaries of U.S. companies. This recommendation for providing greater equity in the U.S. tax treatment of export income to the extent it constitutes foreign source income is sufficiently related to the foreign trade position of the United States that it deserves your consideration at the present time.

While income tax factors are important, we recognize that economic factors often tend to favor local production in or near the market in which the products are being sold. Over the last twenty years we have witnessed a constantly increasing degree of manufacturing abroad by U.S. companies. In many cases, for a variety of political and economic reasons, such local production may be the only means of competing effectively in certain markets. U.S. tax policy can and should, at best, have only a limited effect on such decisions. On the other hand, the U.S. tax laws themselves have treated export sales much less favorably than foreign manufacture and thus have compounded the emphasis on foreign production. This inequity in our tax laws can and should be remedied.

We should compare U.S. tax rules with those of many of the developed countries of the world which base their tax jurisdiction on territorial concepts and defer their tax on export income or exempt such income from tax, to a greater or lesser extent. In addition, many countries have special tax rules which effectively promote export activity such as extraordinary reserve allowances on export sales and greatly accelerated depreciation of export assets. In contrast, the United States taxes currently and, with the exception of the Western Hemisphere Trade Corporation concept, fully the income from any export sale by a domestic corporation because the corporation is incorporated in the United States.

In 1962, legislation was enacted to tax currently United States shareholders on certain passive income (such as dividends, interest, and royalties) and on certain sales and services income earned by controlled foreign subsidiaries. Two important exceptions were made. First, the Export Trade Corporation exception in section 970 of the Internal Revenue Code provides specifically for limited deferral of income earned by a foreign corporation selling U.S. export production. In retrospect, it seems strange that such deferral should be available only to a foreign corporation and not where export sales are made directly by a U.S. corporation. Second, section 963 allows in effect full U.S. tax deferral of low-taxed income of a foreign sales company where pursuant to a so-called "minimum distribution" election such income is averaged with higher taxed income from foreign manufacturing activities of the same controlled group if the average effective foreign tax rate reaches 90 percent of the U.S. tax rate. In a real sense, the only U.S. exporters who benefit from such deferral are those who also have substantial investments in foreign manufacturing facilities and thus can achieve this complex averaging effect.

In view of these limitations on deferral, the only way most U.S. manufacturers are able to obtain the benefits of full deferral of the U.S. tax is to form a foreign corporation to manufacture abroad. The income from the sale of goods manufactured by foreign corporations owned by U.S. shareholders is not taxed by the United States until such income is distributed to the shareholders (or the stock of the subsidiary is sold). Until distribution (or the sale of the stock), the only applicable income taxes are foreign taxes, and these may be imposed at a level below the U.S. level or may be completely waived, especially on exports.

This existing U.S. tax treatment of foreign source income inherently involves a bias in favor of our largest corporations. Through their extensive foreign structures, they are frequently able to use the foreign tax credit, either with or without minimum distribution elections, to reduce their U.S. tax liability on export earnings. To the extent this is being achieved under present law, the tax referral effect of the DISC proposal would not involve a revenue loss through a postponed receipt. We do not have adequate data at this time to determine the extent to which the foreign tax credit presently serves to shield export income from U.S. tax, but be believe it to be significant. The more important point, however, is that the DISC would work more in favor of companies without existing large foreign structures and extensive foreign tax credits.

Accordingly, the DISC will provide equivalent opportunities for tax deferral for foreign source income, to the extent this income arises from export sales, for smaller corporations and for corporations newly entering the export market or expanding their export sales. This additional equity of tax treatment as between our largest corporations and U.S. business in general is an important feature of the Administration's proposal.

Some would say that the remedy to the inequities we describe is simply to remove the deferral on all foreign earnings of U.S.-controlled businesses and tax it currently. Such a response clearly acknowledges the inequities we describe. It also overlooks some critical facts. The foreign-owned competitors of U.S. businesses in the world markets are generally not subject to such an all-embracing concept of taxation by their home countries. To the contrary, the territoriality principle of the tax systems of the majority of industrialized countries exempts foreign source earnings, so that their companies operating abroad are able to enjoy the full advantage of tax holidays and reduced corporate rates, whether directly or through greatly accelerated depreciation allowances or other special tax allowances or inducements.

Our studies show that the average effective foreign tax rates are generally below our U.S. effective corporate rate. For 1964, the effective foreign tax rate on all foreign subsidiary operations of U.S. businesses was approximately 38.6 percent. Our U.S. companies presently achieve deferral on the difference between the foreign tax level and the U.S. tax level with respect to the earnings of their foreign subsidiaries, and thus pay no more tax on a current basis than their competitors. However, virtually every foreign country imposes a withholding tax on dividends. If the U.S. were to impose its taxes on the earnings of U.S.-controlled foreign subsidiaries on a current basis, these subsidiaries would surely remit their earnings in dividends to be certain of obtaining the foreign tax credit for the withholding taxes on dividends. Earnings needed in the businesses of the foreign subsidiaries would then be returned as capital contributions or loans.

These withholding taxes would largely offset the residual U.S. tax through the foreign tax credit. The net effect would be an increase in the current foreign taxes collected from U.S. businesses with little, if any, additional U.S. tax. Thus, the position of the U.S. businesses in the world market would be prejudiced.

We think it is not wise as a matter of sound national tax policy to affect adversely the competitive position of our companies by neutralizing their opportunities to benefit from lower levels of foreign tax in countries in which they have substantial operations and which are enjoyed by their competitors. This, of course, would be precisely the effect of extending our own corporate tax to all foreign source income of U.S. businesses. The existing structure provides for deferral of the U.S. tax until dividends are paid. The payment of such dividends reflects the fact that the foreign earnings are no longer needed in the foreign operations. This is a sound system and is equally sound for export earnings.

Thus, the basic purpose of the DISC proposal is to remove inequities in our present system in the tax treatment of export earnings. I will now outline the main features of the proposal.

1. BASIC PROVISIONS

The Internal Revenue Code would be amended to provide for a new category of domestic corporation to be known as a Domestic International Sales Corporation (a "DISC"). The U.S. tax on the export income derived through such a corporation would be deferred as long as it is either used in the corporation's export business, is invested in "export related assets" of the DISC, or is invested in "Eximbank paper", and thus is not distributed to the DISC's shareholders. "Export related assets" would include loans to manufacturers, including the DISC's U.S. parent company where the DISC is a subsidiary, to finance investments in U.S. plant, equipment and machinery, inventory, and research and development to the extent these investments are deemed export related. The manufacturer's total investments for any of these purposes would be treated as export related in the same ratio as the manufacturer's sales destined for export bear to total sales.

In order to qualify as a DISC, a corporation would be required to confine its activities almost entirely to export selling and certain related activities. A DISC could have foreign sales branches and its own foreign sales subsidiaries where such branches and subsidiaries are engaged in the sale of U.S. exports. The DISC could not engage in manufacturing or invest in or finance foreign manufacturing activities except to a very limited degree in direct support of its U.S. export sales activities.

A DISC could sell the products of any domestic manufacturer (purchased from, or sold on behalf of, the manufacturer or another DISC) and could sell them to any foreign purchaser for a foreign destination, whether or not related. While foreign permanent establishments of U.S. persons would be treated as foreign purchasers, this rule would not apply to sales to the U.S. Government for foreign use. The relationship of the DISC proposal to trade effected under the Canadian Auto Agreement is being examined.

Although some complexity will be inherent in defining an entity entitled to the tax status of a DISC, we intend to simplify tax concepts applicable to export activity to the maximum degree possible. For example, a destination test for export sales would be substituted to reduce the complexities of the present passage of title test.

2. QUALIFICATION AS A DISC

In order to qualify as a DISC, a domestic corporation would be required to meet a gross receipts test and an assets test. It would also be required to distribute currently interest received on investments in "export related assets". To achieve recognition as a DISC, the only requirements would be an equity capital investment of $2,500 or more, a ratio of indebtedness to related companies not in excess of five times the equity capital, and an appropriate election.

To meet the gross receipts test, at least 95 percent of the DISC's receipts would be required to be received from export sales activities and from investments in "export related assets" and Eximbank paper. In order to meet the assets test, 95 percent of the DISC's assets would be required to be used in its export business or be in the form of "export related assets" or "Eximbank paper". To prevent inadvertent disqualifications under either of these tests, we will provide that if any income derived from non-qualified receipts or any non-qualified assets are timely distributed by a DISC, such receipts or assets will not be taken into account for purposes of the 95 percent gross receipts and the 95 percent assets tests.

The following would be treated as giving rise to qualified gross receipts:

Export sales of goods manufactured, produced, grown or extracted in the United States by persons other than the DISC and sold by the DISC either on a purchase and resale basis or as a commission agent;

The leasing or rental of U.S. export property;

The performance of services by the DISC ancillary to its sales or leases;

Interest on credit extended to export customers in accordance with normal commercial practice;

Interest on obligations issued, guaranteed or insured by the Export-Import Bank and certain similar paper:

Interest and dividends from foreign sales subsidiaries engaged in marketing U.S. exports, including foreign packaging and limited assembly operations;

Interest and dividends from limited investments in unrelated foreign corporations made in furtherance of export sales, such as a loan to a foreign distributor:

Interest on investments in "export related assets", including loans to U.S. manufacturers, whether or not related to the DISC, to finance investments related to export production;

Gains on the sale of assets used to produce export receipts;

Interest on deposits in the U.S. with persons carrying on the banking business provided the deposits are temporary—that is, any deposits as of the last day of the taxable year (other than working capital used in the export business), must be invested in other qualified assets within the time prescribed for the filing of the DISC's return for such taxable year: and

Other transactions and activities directly related to exporting of U.S. products as designated by the Treasury Department in regulations.

Qualified assets would include assets used by a DISC in its export business (that is, assets giving rise to export receipts), investments in "export related assets," temporary deposits in U.S. banks, and investments in "Eximbank paper." Among the assets which would in all events be treated as used by a DISC in its export business or as qualified assets are:

Obligations of export customers received on sales in accordance with normal commercial practice;

Other working capital used in its sales or commission business:

Export property held for lease;

Assets of foreign sales branches handling U.S. exports:

Obligations issued, guaranteed, or insured by the Export-Import Bank and certain other similar paper;

Stock or securities in foreign sales subsidiaries engaged in marketing U.S. exports, including foreign packaging and limited assembly operations;

Stock or securities in unrelated foreign corporations made in furtherance of an export sale or sales:

Obligations representing loans to domestic producers to finance "export related assets":

Temporary deposits in the United States with persons carrying on the banking business; and

Other assets directly related to U.S. exporting as designated by the Treasury Department in regulations.

The third basic requirement for qualification as a DISC is the distribution by the DISC as a dividend within nine months after the close of its taxable year of interest received on investments in "export related assets" (loans to manufacturers) and on temporary deposits in U.S. banks in excess of normal working capital requirements. The stockholders of the DISC receiving such dividends are subject to full corporate and individual income tax on the distribution.

3. TAX TREATMENT OF DISC INCOME

So long as the domestic corporation continues to qualify as a DISC, U.S. tax would not be imposed on its current or retained export earnings, which would include dividends and interest from its qualified foreign subsidiaries. Upon a dividend distribution or the liquidation or sale of the shares of the DISC, its retained export earnings would be taxed to its shareholders as ordinary income. Thus, the net effect would be a deferral of the U.S. tax. The intercorporate dividends-received deduction would not be available since the DISC would not have been subject to tax and the tax is only to be deferred until distribution by the DISC.

Dividends of a DISC paid out of qualified income would be treated as foreign source income except to the extent such dividends are attributable to interest on investments in "export related assets" or on domestic bank deposits. With respect to any foreign incomes taxes paid by the DISC, a foreign tax credit would be available to the corporate shareholders to offset U.S. tax on foreign source shareholders to offset U.S. tax on foreign source dividends received from the DISC (or U.S. tax on liquidation or sale of the DISC); it could also serve, subject to the limitations in section 904 of the Code, to offset U.S. tax on other foreign source income. This would approximate the tax treatment of accumulated earnings and profits of foreign subsidiaries under present law and the present treatment for exports where passage of title is arranged to occur outside of the United States.

4. LIMITATION ON DISC PROFITS

We propose that limitations be established on the profits which could be earned by a DISC in cases where it is purchasing from, or acting as a commission agent for, a related manufacturer. Such limitations would be specified in regulations pursuant to statutory authority.

The regulations would provide that the income of the DISC (computed under normal tax accounting rules) would be subject to being allocated to the related manufacturer if it exceeds the income computed under both of two alternative formulas. As long as the income of the DISC does not exceed the amount determined under the formula which gives the higher amount, no allocation would be made and the income could be deferred. The formulas would be:

A. The DISC could not realize income in excess of 4 percent of its sales plus 10 percent of the "export promotion expenses" incurred by it; and

B. The DISC could not realize more than 50 percent of the combined taxable income from the manufacture in the United States and the export sales by the DISC, plus 10 percent of the export promotion expenses incurred by the DISC. For this purpose, the taxable income generated by sales of the DISC would be determined by deducting from sales the cost of goods sold determined on the same basis as that charged by the manufacturer on uncontrolled sales (inventory cost). Other deductions (except certain nonoperating deductions) such as selling expenses, general and administrative expenses, research and development and interest expenses, would be allocated between sales by the DISC and sales by the manufacturer on the basis of net sales from each of these sources or, where certain markets are primary and other markets are secondary, on an appropriate basis to be specified in the regulations.

In addition to these formulas, the income of the DISC would not be allocated to the related U.S. manufacturing company if it is in accord with the intercompany pricing rules set forth in the existing regulations under Section 482 of the Internal Revenue Code.

Allocation rules along the foregoing lines would be analogous to those applied by a number of countries, generally on an informal basis, in the determination of their tax liability on exports. Their primary advantage would be in providing a greater degree of specificity and definitiveness in limiting the profit which may be realized by the DISC vis-a-vis its related U.S. manufacturer.

5. INVESTMENTS IN "EXPORT RELATED ASSETS"

A DISC would be permitted to invest its accumulated export income in "export related assets". Such investments would be in the form of loans to domestic manufacturers, whether or not related, to finance the manufacturer's export related assets. The amount of export related assets of a manufacturer would be that proportion of the manufacturer's investment in production and supporting facilities which is the same as the proportion of the manufacturer's export sales and sales to DISC's to its total sales. Thus, if the manufacturer's export and DISC sales represented 20 percent of its total sales and its production and supporting facilities equaled $20 million, the authorized borrowing would be $4 million.

It is contemplated that when a DISC makes such loans to an unrelated borrower, such borrower would provide the DISC with a certification that the borrower has not and will not exceed its authorized borrowing for the year.

The production and supporting facilities of a manufacturer which would qualify for this purpose would include:

Existing plant, equipment, machinery and supporting production facilities (including those for storage, transportation and administration) valued at their adjusted basis after depreciation (reduced by outstanding DISC loans previously made with respect to such assets);

Investment in new plant, equipment and machinery and other new supporting production facilities;

Inventory (reduced by outstanding DISC loans previously made with respect to inventory); and

Research and development expenditures (whether or not capitalized) incurred during the year.

It is not contemplated that there will be any tracing of loans to specific manufacturing facilities or equipment actually used in production for export.

All loans would be interest bearing, resulting in an interest deduction to the borrower. The section 482 safe haven rules will be applicable: presently the interest charged must be a minimum of 4 percent and maximum of 6 percent, although the rate may be higher if an arm's length rate would be higher.

The term of any loan need not be less than 10 years. Loans related to investment in research and development and inventory would be for 10 years. To the extent that loans relate to investments in fixed assets, the term may be longer based on the weighted average useful life for depreciation purposes for such assets, with an outside limit for any asset (including land) of 30 years. At maturity, any loan could be renewed, or the principal loaned to another borrower, provided always that there is compliance with the rules previously described.

Qualified loans would remain qualified throughout their term regardless of any decreases in export sales. They would not be treated as constructive dividends.

6. ACQUISITION OF EXPORT-IMPORT BANK PAPER BY DISC'S

As stated above, qualified export income would include interest on credit extended to export customers in accordance with normal commercial practice and interest on obligations issued, guaranteed, or insured by the Export-Import Bank and certain similar paper. Such debt obligations would also constitute qualified export assets. In cases where the DISC acts as a commission agent for an export manufacturer, the obligations acquired by the manufacturer in connection with the extension of credit to export customers in accordance with normal commercial practice could be acquired by the DISC.

It would be provided that the following types of Export-Import Bank obligations and similar paper would give rise to qualified export income and constitute qualified export assets:

Obligations issued by the Export-Import Bank;

Obligations guaranteed or insured by the Export-Import Bank in cases where the DISC purchases the obligations from the Export-Import Bank or from the exporters;

Obligations insured by the Foreign Credit Insurance Association in cases where the DISC purchases the obligations from the exporter;

Obligations issued by certain domestic corporations organized solely for the purpose of financing U.S. exports pursuant to an agreement with the Export-Import Bank whereby such corporation makes export loans guaranteed by the Export-Import Bank.

7. DEFICIENCY DISTRIBUTIONS

In order to prevent inadvertent disqualification of a DISC, a deficiency dividend procedure would permit continued qualification of the DISC. Deficiency distributions could be made at two stages where either the income or asset test had not been met or interest on investments in export related assets or temporary bank deposits (referred to as "distributable interest") had not been distributed:

Current Deficiency Distributions.—Where the DISC during the taxable year had at least 70 percent of its gross receipts in the form of qualified receipts, a distribution of the income derived from non-qualified gross receipts could be made at any time after the close of the DISC's taxable year and prior to the time for filing the DISC's annual return. Similarly, any non-qualified asset could be distributed, or such asset could be liquidated with the proceeds being distributed or invested in qualified asset, within such period. A distribution of "distributable interest" could be made within such period without regard to the 70 percent test.

Delayed Deficiency Distributions.—A distribution of "distributable interest" or non-qualified income or a non-qualified asset (or a distribution from the proceeds of such an asset) could be made at any time with respect to any year as to which the period for assessment of additional taxes had not expired provided that the existence of such income or asset and the failure to distribute it within the return filing period was due to reasonable cause.

A delayed deficiency distribution would be required to consist of the distributable interest or non-qualified income (or asset or proceeds therefrom) plus an annual interest charge to compensate for the deferral of tax on the income from the return filing date.

8. DISQUALIFICATION OF DISC, LIQUIDATION, OR SALE OF STOCK

Upon liquidation of a DISC or upon its disqualification (where the deficiency dividend procedures are not used), DISC status would terminate and the earnings and profits of the DISC on which U.S. taxes had been deferred would be deemed to be distributed to the shareholders. Each shareholder would be taxed as if he had received his pro rata portion of such income in equal installments in the year in which such liquidation or disqualification occurs and in each of the succeeding nine years; except that if the DISC has not been qualified as such for at least ten years, the period of distribution will be deemed to be the number of years the DISC was in existence prior to the commencement of the liquidation or the disqualification.

Upon the sale of stock in a DISC, the gain realized will be taxed at ordinary income rates to the extent of the accumulated earnings and profits after the date of the DISC election. The foreign tax credit would be available similar to its application under section 1248 of the Internal Revenue Code.

9. REORGANIZATION OF EXISTING EXPORT OPERATIONS

It is contemplated that in general tax-free reorganizations would be permitted to place existing foreign operations in a DISC or to put existing foreign sales subsidiaries under its ownership.

10. FINANCIAL ACCOUNTING

We understand that the Accounting Principles Board of the American Institute of Certified Public Accountants has recently reviewed the question of the proper accounting treatment with respect to the deferred tax liability on the profits of a DISC. We understand that they have concluded that the DISC could be treated in the same manner as a foreign subsidiary—that is, under current practice there is no requirement that the deferred tax liability be accrued currently on the income, so that the U.S. tax liability would be reflected as a cost at the time dividends are paid, just as it would be imposed under our DISC proposal.

This concludes our description of the DISC. A more detailed technical explanation has been delivered to the Committee and is available to the public at the Treasury's Public Information Office.

I will be pleased to answer any questions concerning this proposal.

PAGE 40 BLANK

Domestic International Sales Corporation Technical Explanation of Treasury Proposal

Definition of a Domestic International Sales Corporation (DISC).—A corporation would generally qualify as a DISC if (1) it is a domestic corporation which meets the minimum equity capital requirements, (2) within the first 90 days of the beginning of its taxable year the shareholders elect to have the corporation treated as a DISC,[1] (3) 95 percent of its gross receipts for the taxable year is derived from export activities, from "export related assets" and "Eximbank paper," (4) it distributes annually its interest income from its investment in "export related assets" and qualified bank deposits, and (5) 95 percent of its assets are used in the export business, are in the form of "export related assets" or "Eximbank paper."

Ownership of the Stock of a DISC.—Individuals, corporations, trusts, and estates could own the stock of a DISC. Nonresident aliens and foreign corporations could also own the stock of a DISC. Any dividends received by a nonresident alien or foreign corporation would be treated as effectively connected with a U.S. trade or business operated through a permanent establishment.

A domestic corporation engaged almost solely in the export business might well be able to qualify as a DISC. In cases where an export business is conducted in a non-corporate form, by a sole proprietorship or a partnership, it would be necessary to organize a corporation. Similarly, a corporation engaged in manufacturing or in non-export sales activities, as well as in exports, could organize an export sales subsidiary designed to qualify as a DISC. DISC's could export articles produced by related and non-related producers and could export to related and non-related foreign purchasers.

Equity Capital Requirement.—A DISC would be required to maintain at all times a minimum equity capital of $2,500 and the ratio of its indebtedness to related corporations[2] (or guaranteed by related corporations) could not exceed five times its equity capital.

Gross Receipts Requirement.—As stated, the gross receipts requirement is met if the domestic corporation derives at least 95 percent of its gross receipts from exports and export related investments and activities. The 95 percent test must be satisfied annually. Qualifying gross receipts would be derived from:

(1) the sale[3] of export property (hereinafter defined) for use, consumption, or distribution in a foreign country;

(2) the leasing or rental of export property for use in a foreign country by the lessee;

---

[1] Such election remains in effect as long as the gross receipts and assets tests are met with respect to the year of the election and each subsequent year.

[2] A "related" corporation as used herein refers to a corporation which controls or is controlled by the DISC or is under common control.

[3] In the case of commission income on the sale of property, the gross receipts test will be applied to the gross receipts on the sale of the property on which such commissions were earned.

(3) gains from the sale or exchange of assets used by the DISC for the production of export receipts;

(4) the performing of services by the DISC which are ancillary and subsidiary to the selling or leasing of export property by the DISC;

(5) loans of DISC profits to domestic producers for "export related assets" as described in "Loans to Domestic Producers";

(6) temporary deposits in the United States with persons carrying on the banking business; (see Item 9)

(7) dividends or interest which is received with respect to foreign investments described hereinafter in "Non-U.S. Investments";

(8) interest received on any obligation arising from sales or leases of export property and related services, including interest on receivables purchased by a DISC selling as a commission agent;

(9) obligations issued, guaranteed or insured by the Export-Import Bank and certain similar obligations; and

(10) other transactions and activities directly related to exporting of U.S. products as designated by the Treasury Department in regulations.

Distributable Interest.- With respect to loans made by the DISC to domestic producers for "export related assets" [(5) above], and interest on bank deposits [(6) above], the annual interest income from such loans and deposits (hereinafter referred to as "distributable interest") must be distributed by the DISC within the time required for filing the DISC's annual return for such year.

Export Income and Export Property. On export sales or leases and ancillary services, the place of use, consumption, or disposition of the goods will determine whether the activity is export in nature rather than the technical source of income under the passage of title test. A DISC will be deemed to receive export income when it sells to foreign purchaser for export or to an unrelated DISC. Sales to a foreign establishment of a U.S. entity for use, consumption or disposition outside the United States will be considered export sales. However, sales to the U.S. Government will not be considered exports.

"Export property will mean any personal property, grown, extracted, manufactured or produced in the United States, Puerto Rico or any other possession for ultimate use, consumption or disposition outside the United States, Puerto Rico or any other possession. Qualified exports would not include exports to a possession of the United States, including Puerto Rico.

If a DISC sells products to persons who were formerly customers of its parent or a related company, the income generated by these sales would be qualified income. Similarly, some or all of a DISC's line of products may be sold on behalf of unrelated producers.

A limitation will be imposed on the amount of "foreign content" which may go into the goods which a DISC exports. The property must have been substantially transformed in the United States prior to export. The U.S. content must account for at least 50 percent of the total costs of the product as established under standard Government procurement regulations. In addition, any item containing components imported into the United States and classified under Item 807 of the Tariff Schedules of the United States will not qualify as "export property."

Where a DISC sells a product to a related foreign company and such foreign company either resells the product, or performs a further amount of work on the product, before resale, or utilizes the product itself, the income which the DISC received from the sale of the product to the affiliate would be qualified.

A DISC could sublease export property as to which it is the lessee.

The DISC's receipts attributable to the DISC's transporting its qualifying exports (either in the United States or abroad) would be treated as qualified receipts.

Non-qualifying Receipts.—The forms of qualifying receipts of a DISC are set forth above. The following will not constitute qualified receipts:

(1) the sale of export property to the United States or any agency or instrumentality thereof and service or other income ancillary thereto:

(2) income from the use of intangibles abroad such as copyrights, trademarks, and patents;

(3) foreign franchising operations (however, where a U.S. taxpayer supplies a foreign franchisee with a particular product or product line, the sale of these items through a DISC could generate qualified export income) ; and

(4) services other than those rendered by a DISC in connection with the sale or lease of export property by it.

Income which results from a DISC selling export property abroad for final disposition, use, or consumption of such property in the United States will not be qualifying income.

The relationship of the DISC proposal to the Canadian Automotive Agreement is presently under study.

Limitation on DISC Profits.—In order to avoid unnecessary problems on intercompany pricing allocations, it is intended to provide guidelines to prevent the excessive shifting of income to a DISC where it is purchasing from or selling on behalf of a related manufacturer. The regulations would provide that the income of the DISC (computed under normal tax accounting rules) would be subject to being allocated to the related manufacturer if it exceeds the income computed under both of two alternative formulas. As long as the income of the DISC does not exceed the amount determined under the formula which gives the higher amount, no allocation would be made and the income could be deferred. The formulas would be:

(*a*) The DISC could not realize income in excess of 4 percent of its sales; or

(*b*) The DISC could not realize more than 50 percent of the combined taxable income from the manufacturer in the United States and the export sales by the DISC. For this purpose, the taxable income generated by sales of the DISC would be determined by deducting from sales the cost of goods sold determined on the same basis as that charged by the manufacturer on uncontrolled sales (inventory cost). Other deductions (except certain nonoperating deductions) such as selling expenses, general and administrative expenses, research and development and interest expenses, would be allocated between sales by the DISC and sales by the manufacturer on the basis of net sales from each of these sources, or, where certain markets are primary and other markets are secondary, on an appropriate basis to be specified in the regulations.

In addition to the foregoing, a DISC would be entitled to an additional deferred income equal to 10 percent of the "export promotion expenses" incurred by it. Export promotion expenses would be those ordinary and necessary expenses of the DISC paid or incurred in the production of export income, including salaries, rentals, warehousing, advertising, selling expenses, billing, collection and other administrative costs, but not including costs of goods sold, taxes or any expenses that do not advance the distribution or sale of exports.

The pricing between the U.S. parent and the DISC could also, of course, be established pursuant to the existing allocation rules under section 482.

A DISC must sell to a related foreign purchaser on an arm's length basis, as under section 482; provided, however, that no effort will be made by U.S. authorities to allocate or recharacterize income on such sales in a manner that would reduce the DISC profits below those authorized under the preceding rules. Credit terms extended to related foreign purchasers must be comparable to those that would be extended to unrelated purchasers.

Qualified Assets Defined.—An asset test is required in order to insure that the DISC assets are related to export activity. Therefore, 95 percent or more of the value of the total assets of the DISC as of the last day of the taxable year must consist of:

(1) working capital used in the export sales business (primarily consisting of cash, inventory and export receivables);

(2) plant, machinery and equipment and office and administrative facilities used in connection with the sale, lease, storage, packaging, servicing, assembly or transportation of the DISC's exports;

(3) obligations issued, guaranteed or insured by the Export-Import Bank and other similar obligations;

(4) export property held for lease;

(5) assets of foreign sales and service branches handling U.S. export property; provided that the activities and assets are limited to those specified for foreign subsidiaries (see Item (3));

(6) stock or other securities issued by foreign customers and certain foreign companies as described hereinafter in "Non-U.S. Investments";

(7) export receivables purchased by a DISC from a manufacturer on whose behalf the DISC sells as a commission agent;

(8) obligations representing loans to domestic producers for "export related assets" as described in "Loans to Domestic Producers";

(9) deposits in the United States with persons carrying on the banking business, provided that any amount so held as of the last day of the taxable year (other than working capital used in the export sales business), shall have been invested in other qualified

assets within the time prescribed for the filing of the DISC's return for its taxable year, or for such additional period of time as may be permitted by regulations; and

(10) any other asset directly related to exports which the Treasury Department describes in regulations.

Since the asset test includes an annual test to be met as of the last day of the DISC's taxable year, adjustments may be made to meet the income and asset tests during the period between the end of the year and the time prescribed for the DISC's filing of a return for the taxable year. While not taxable, it is contemplated that a DISC must file a reporting form during the 9th month after the close of its taxable year.

In order to give some flexibility to meet the problem of coordinating of loans to a producer and timing of construction and similar events, regulations would permit counting both loans that have been made and firm commitments scheduled to be taken down within a specified period.

Acquisition of Export-Import Bank Paper by DISC's.—Qualified export income would include interest on credit extended to the DISC's export customers in accordance with normal commercial practice and interest on obligations issued, guaranteed, or insured by the Export-Import Bank and certain similar obligations. Such debt obligations would also constitute qualified export assets. Where the DISC acts as a commission agent for an export manufacturer, the obligations acquired by the manufacturer in connection with the extension of credit to export customers in accordance with normal commercial practice could be acquired by the DISC.

The following types of Export-Import Bank obligations and similar paper would give rise to qualified export income and constitute qualified export assets:

Obligations issued by the Export-Import Bank;

Obligations guaranteed or insured by the Export-Import Bank in cases where the DISC purchases the obligations from the Export-Import Bank or from the exporter;

Obligations insured by the Foreign Credit Insurance Association in cases where the DISC purchases the obligations from the exporter;

Obligations issued by certain domestic corporations organized solely for the purpose of financing U.S. exports pursuant to an agreement with the Export-Import Bank whereby such corporation makes export loans guaranteed by the Export-Import Bank.

Deficiency Distributions.—In order to prevent inadvertent disqualification of a DISC, a deficiency dividend procedure would permit continued qualification of the DISC. Deficiency distributions could be made at two stages where either the income or asset test had not been met or the "distributable interest" had not been distributed.

(1) *Current deficiency distributions.*—Where the DISC during the taxable year had at least 70 percent of its gross receipts in the form of qualified receipts, the amount of income derived from non-qualified receipts could be distributed at any time after the close of the DISC's taxable year and prior to the time for filing the DISC's annual return. The amount of the required distribution in

the case of non-qualified receipts will ordinarily be that proportion of the DISC's net income which its non-qualifying gross income bears to its total gross income. Similarly, any non-qualified asset could be distributed, or such asset could be liquidated with the proceeds being distributed or invested in a qualified asset, within such period. A distribution of "distributable interest" could be made at any time within such period, without regard to whether the 70 percent gross receipts test had been met. A dividend paid within such period will be deemed to be a distribution out of the preceding year's earnings and profits and would constitute taxable income of the individual and corporate shareholders for such preceding taxable year.

(2) *Delayed deficiency distribution.*—A distribution of "distributable interest" or of non-qualified income or a non-qualified asset (or a distribution from the proceeds of such an asset) could be made at any time with respect to any year as to which the period for assessment of additional taxes had not expired, provided that the existence of such income or asset and the failure to distribute it within the return filing period referred to in (1) was due to reasonable cause. Such reasonable cause may be established by a showing, for example, that the income or asset arose by inadvertence or was of an unusual and non-recurring character.

A delayed deficiency distribution under (2) above would be required to consist of the distributable interest or non-qualified income (or asset or proceeds therefrom) plus an annual interest charge to compensate for the deferral of tax on the income from the return filing date.

Non-U.S. Investments.—A DISC may maintain investments in and receive income from certain non-U.S. investments. These are:

(1) trade receivables of foreign purchasers. In the case of related foreign corporations, the receivables must be in connection with sales or leases in the ordinary course of business and on ordinary commercial terms.

(2) a foreign real estate title holding corporation, holding title to foreign export facilities of the DISC.

(3) a foreign corporation controlled by the DISC and which has at least 80 percent of its gross receipts from the sale or lease of U.S. export property and from services ancillary and subsidiary to such sales or leases. For this purpose, packaging and minor assembly will be permitted, provided that there is no "substantial transformation" of the exported goods and if the value added abroad does not exceed 20 percent of the cost of the goods sold. A qualifying subsidiary under this section will not be subject to Subpart F, provided that it meets these requirements and the other asset requirements of a DISC.[4]

(4) obligations or stock of an unrelated foreign corporation provided that the acquisition is in furtherance of an export sale

[4] Where a foreign subsidiary is engaged in extensive assembly, manufacturing operations or the selling of products other than those from U.S. sources, it is always possible for the U.S. parent of the DISC, where the DISC sells to such subsidiary, to own such other subsidiary through a separate line of ownership, without the necessity of the DISC investing its funds in such subsidiary.

or sales and provided that the stock ownership shall not exceed more than 10 percent of the total combined voting power of the foreign corporation. This exception is intended to be limited to investments that might be required in unrelated foreign distributors or to help finance a customer's purchase of export property.

Liquidation or Disqualification of DISC.—Upon liquidation of a DISC or upon its disqualification (where the deficiency dividend procedures are not used), DISC status would terminate and the previously deferred earnings and profits of the DISC would be deemed to be distributed to the shareholders and taxed in the following manner: Each shareholder would be deemed to receive his pro rata portion of such income in equal installments in the year in which such liquidation or disqualification occurs and in each of the succeeding nine years; except that if the DISC has not been qualified as such for at least ten years, the period of distribution will be deemed to be the number of years the DISC was in existence prior to the commencement of the liquidation or the disqualification. The foreign tax credit would be available similar to its application under section 1248 of the Code.

Sale of DISC Stock.—Upon the sale of stock in a DISC the gain realized will be taxed at ordinary income rates to the extent of the accumulated earnings and profits after the date of the DISC election. The foreign tax credit would be available similiar to its application under section 1248 of the Code.

Independent Export Sales Companies.—Combination Export Managers and other independent exporters account for more than 1 billion in exports annually. Under the DISC proposal, companies exclusively engaged in export activities will be qualified for DISC status, with current deferral of their export profits. Such companies will be entitled to loan their accumulated income to U.S. producers. In addition, it is proposed that such export companies be entitled to earn fees for services rendered in managing export operations for other DISC's, where, for example, a manufacturer wishes to have his own DISC, but lacks the experience to manage an export operation.

Loans to Domestic Producers.—A DISC will be permitted to loan its accumulated export income (but not borrowed funds) to any domestic corporation, whether or not related, meeting required export production tests. Such loans may be made as follows:

(1) As of the close of each taxable year, a borrower's permissible loans from DISC's for the next year would be determined by ascertaining the borrower's investment in qualified assets as of the close of the taxable year. The proportion of the borrower's assets that could be financed (designated as "export related assets") would be determined by multiplying the amount of assets designated in (2) below by the percentage which the export sales of the borrower for the taxable year and the immediately preceding two years is of the total sales of the borrower for such period. However, the base period for loans at the end of the first and second taxable years after enactment of the proposal will be computed on the basis of exports during such period. Thus, if the borrower's exports represented 20 percent of its sales and the total amount of the production and other assets enumerated in (2)

below equaled $20 million, the authorized borrowing would be $4 million.

It is contemplated that any unrelated borrower would provide a DISC lending to it with a certification that the borrower has not and will not exceed its authorized borrowing for the year. Such certification would ordinarily be conclusive in establishing, for purposes of the DISC, that its loans are qualified export related assets.

(2) The assets taken into account as of the close of a taxable year to determine the base for DISC loans are:

(*a*) Existing plant, equipment, machinery and supporting production facilities (including those for storage, transportation and administration) valued at their adjusted basis after depreciation as of the close of the taxable year (reduced by outstanding DISC loans previously made with respect to such assets);

(*b*) Investment in new plant, equipment and machinery and other new production and supporting facilities for the next year;

(*c*) Inventory held on the last day of the taxable year (reduced by outstanding DISC loans previously made with respect to inventory); and

(*d*) Research and development expenditures (whether or not capitalized) incurred during the taxable year.

It is not contemplated that there will be any tracing of loans to specific manufacturing facilities or equipment which will actually produce for exports.

(3) All loans would be interest bearing, permitting an interest deduction to the borrower. The section 482 safe haven rules will be applicable: presently the interest charge is a 4 percent minimum and a 6 percent maximum, although the rate may be higher if an arm's length rate would be higher.

(4) The term of any loan need not be less than 10 years. Loans related to investment in research and development and inventory would be for 10 years. To the extent that loans correspond to investment in fixed assets, the term may be longer based on the weighted average useful life for depreciation purposes of such assets, with an outside limit for any asset (including land) of 30 years.

(5) Qualified loans remain qualified throughout their term regardless of any changes in the ratio of export sales to total sales. They will not be treated as constructive dividends.

(6) At maturity, any loan may be renewed or the principal loaned to another borrower, provided always that there is compliance with the rules described above.

(7) It is presently anticipated that an election should be allowed that either (i) each corporation within a controlled group would be treated as a separate borrower for purposes of the loan limitations and that the appropriate assets and ratio are the assets of the particular corporate borrower and the ratio of such borrower's export sales to its total sales, or (ii) the combined export production assets and sales of all affiliated companies within the controlled group would be used for this purpose.

In determining the manufacturer's export sales base, reference will be made only to sales of goods, comparing export sales of goods to total sales of goods. Income from services will be disregarded for this purpose.

Distributions from a DISC.—Distributions shall be deemed to be made in the following order and as income from the following sources:

(1) Distributions of "distributable interest" (deemed domestic source income of the shareholder);

(2) Deficiency distributions with respect to non-qualified income or assets (deemed domestic source income of the shareholder);

(3) Distribution of accumulated qualified income from the most recent taxable year of the DISC (foreign source income of the shareholder);

(4) Distributions from pre-DISC years, which shall retain their character as to source as under present law.

The portion of dividend distributions treated as foreign source income shall be entitled to foreign tax credits, subject to the appropriate overall or per-country limitation. Foreign taxes borne by the DISC or its first-tier foreign subsidiaries may be credited by corporate shareholders of the DISC owning 10 percent or more of the DISC's stock. The foreign source portion of any dividends shall be deemed to carry full foreign tax credits for foreign taxes attributable to the foreign source income so distributed; rules will be provided to avoid dilution by the mix of domestic and foreign source income in the DISC. In determining the foreign source income on a distribution from a DISC to a corporate shareholder, for a foreign tax credit purposes, it is not intended that allocations of general and administrative expenses and overhead of the corporate shareholder will be made to reduce the foreign source income element in the DISC distribution.

The destination test (rather than passage of title) will also be used in determining the source of export income of the DISC for foreign tax credit purposes.

Liquidations and Reorganizations.—Established corporations with foreign sales subsidiaries might encounter difficulty in restructuring their corporate organization to take advantage of a DISC concept. It is desirable, therefore, to provide nontaxable treatment to these corporate entities to enable them to transfer their foreign sales activities to United States subsidiaries (DISC's). Therefore, section 367 would be amended to provide that an advance ruling is not required where the assets of a foreign corporation are acquired by a DISC in a liquidation described in section 332 or in a reorganization described in section 368(a). Some restrictions regarding which assets of a foreign corporation would be eligible to receive this treatment may be necessary. Foreign subsidiaries that are now foreign export trade corporations under section 970 should be able to retain the deferred status for their present qualified accumulated export trade income in the event that they are subsidiaries of or are liquidated into a DISC.

Ineligible Corporations.—The following corporations shall not be eligible to make a DISC election:

(1) a corporation exempt from tax by reason of section 501;

(2) a financial institution to which section 581 or section 593 applies;

(3) a life insurance company as defined in section 801(a);

(4) a regulated investment company as defined in section 851(a);

(5) a real estate investment trust as defined in section 856;

(6) a corporation receiving the special deduction provided in section 941(a);

(7) an electing small business corporation (as defined in section 1371(b)); or

(8) corporations referred to in section 1504(d).

Information Returns.—All corporations that have DISC status and all manufacturers with DISC loans must file annual information returns indicating their export production and sales, and amounts of income on which taxes have been deferred in the DISC.

Effective Date.—The DISC rules would become effective on July 1, 1971.

MISCELLANEOUS RULES

(1) Distributions from a DISC will not be entitled to the dividends-received deduction under section 246(a).

(2) The accumulated earnings tax provisions of section 531 will not apply to a DISC.

(3) The personal holding company provisions of section 542 will not apply to a DISC.

(4) On liquidation or sale or exchange of stock in a DISC, the principles of section 1248 will be applied to result in a tax on the accumulated earnings of the DISC, not previously subjected to U.S. tax, as ordinary income subject to appropriate foreign tax credit.

(5) It is contemplated that a DISC may sell to another DISC. This would permit a captive DISC to sell to an independent exporter for ultimate sale for use, consumption, or disposition outside the United States.

(6) A DISC may not be included in a consolidated return.

(7) A Western Hemisphere Trade Corporation may not own shares in a DISC.

Statement by Hon. William P. Rogers, Secretary of State

I

I am happy to appear before this Committee to testify on trade legislation.

I strongly support the Trade Act of 1969.

In doing so, I am conscious that I am acting in the tradition of all Secretaries of State since 1934, when Cordell Hull proposed that we lead the world in reducing barriers to international trade. The reason for this constancy is simple. An affirmative trade policy is an indispensable part of an effective foreign policy.

We learned from the bitter experience of the 1930's that protectionism was self-defeating economically, and the breakdown of international trade was a large factor in the breakdown of international order during that unhappy period. Accordingly, in the post-war period we took the lead in developing trading rules that were internationally agreed and embodied in the General Agreement on Tariffs and Trade. In a series of trade negotiations culminating in the Kennedy round, all the major trading nations reduced their barriers to international commerce. The result has been an unprecedented expansion in world trade and the longest period of sustained and rapid income growth in history.

The trade policy we have been pursuing raises our real income. It enables us to procure abroad goods that others can produce more economically than we. We are a rich country but our resources are limited and the competing claims on them—the claims of the cities, of the disadvantaged, of the environment, of defense, and our external responsibilities—can be satisfied only by increasing our income. We cannot afford to forego the addition to our national income that comes from an expanding international trade.

The policy we have been pursuing widens the opportunities for our exports. When technologies were simpler, firms could produce profitably for sale only for the home market. With the burst of new technologies in the post-war world, more and more firms—even in our continental economy—look to the world market, to exports, to support the costs of innovation and the optimum scale of output. We cannot retreat from a liberal trade policy without sacrificing the opportunities for our high productivity, high wage exports.

I recognize that our trade surplus has declined in recent years. Rapidly increasing imports in response to inflationary pressures have been a major factor in this decline. As we bring our inflation under control, we will reduce this artificial stimulus to our imports and drag on our exports. But if we are to regain and maintain a trade surplus of the magnitude we need, we must also get trade barriers down. It is clear that restricting imports is not the answer, for that would lead to offsetting curbs on our own exports. With world trade spiralling down, all the numbers would be less, including our trade surplus—if indeed we could achieve a trade surplus at all in a contracting world trade environment.

In short, a liberal trade policy serves our national economic interests. It also serves the interests of other trading nations. It has been a major factor in the growth of a healthy world economy. To abandon it now would be shortsighted and foolish.

Because of the size of the United States in world affairs—we account for 40 percent of the world's gross product—any movement by the United States away from its historic trade policy would have adverse consequences around the globe. The United States is the largest single trading nation. We must act responsibly. A turn toward restrictionism would be fundamentally disruptive of the kind of world we have been trying to build since the end of the Second World War.

This does not mean that we should sacrifice our economic interests to the requirements of foreign policy. We must insure that others too follow an open policy, permitting us to export as freely to them as they to us. The dismantling of trade barriers has been and must continue to be a reciprocal effort, from which everyone can gain.

We need an expanding open trading system not only because it will contribute to national and international prosperity—which it will—but also because it will help to make a more open and more cooperative world in which we can have greater hopes for peace. Keeping the peace rests on cooperative relations among nations. And cooperative relations have an economic dimension.

Our trade policy has encouraged the habit of consultation among sovereign nations, the peaceful resolution of conflicting interests, and the rule of law.

An affirmative trade policy promotes the economic well being of our own people: it also best serves our abiding interest in a peaceful world.

II

The proposed Trade Act of 1969 is important for the furtherance of our trade policy and foreign policy objectives. It is not intended to be a landmark. It is nevertheless a necessary forward step.

The Act gives the President authority to negotiate minor tariff reductions. This is the first time since 1934 that a President has entered office with no latitude to negotiate reductions in tariffs. Without such authority, the President cannot offer a tariff reduction on one product in compensation for an increase in the tariff on another. Such tariff increases might occur, for example, if an escape clause action resulted in increased tariff rates for a product.

The Trade Act will help maintain the movement toward freer trade by providing the basis for reduction of non-tariff barriers to trade. The key to progress on this issue is elimination of the American Selling Price system of customs valuation. Action on this proopsal will implement agreements, negotiated during the Kennedy Round, that will provide additional benefits to our chemical industry as well as to the automobile and other industries. But even more importantly, it will be a signal to the world, and particularly to the Europeans who have taken a keen interest in elimination of ASP, that the United States is willing—and ready—to negotiate on other non-tariff barriers. The repeal of ASP is essential if we are to get on with the business of reducing non-tariff barriers that hurt *our* exports.

The Trade Act will also be of aid in moving to freer trade, by providing better cushions for the shocks that growing trade can cause. It will do this by clearing away some of the legal obstacles that have limited the effectiveness of the adjustment assistance and escape clause relief provisions of the Trade Expansion Act. If we are to resist pressures for import restrictions that would hurt us all, we need effective administrative remedies to help those who *are* hurt.

Finally, the Trade Act will be a sign to the world that the United States will continue to exercise leadership in this important area, that we are not abandoning the policy that has served us and the world so well.

III

I turn now to H.R. 16920, a bill that would place quotas on imports of textiles and leather footwear.

As Ambassador Gilbert and Secretary Stans have informed the Committee, we believe the Congress should defer action on the bill. We seek deferral not because we are insensitive to the very real difficulties facing the textile and shoe industries. On the contrary, we are fully aware of their problems and anxious that suitable action be taken to help them. We seek deferral because we believe that alternative means now being actively pursued in the Executive Branch will provide the necessary help and relief without the need for legislation that might bring harm to other parts of our national economy. Specifically, we are hopeful that negotiations with major suppliers of textiles will lead to a satisfactory voluntary solution of the textile problem. And the Administration will shortly announce a program of measures to help the footwear industry overcome its difficulties.

IV

I would like now to refer to the Administration's proposal to extend the International Coffee Agreement Act of 1968, from its present expiry date of September 30, 1970 until September 30, 1973, in order to allow the United States to fulfill its international obligations under this Agreement.

I strongly urge the Congress to pass this measure. Coffee is of overwhelming importance to the economies of many poor countries, particularly in Latin America and Africa. Prior to the Agreement, green coffee prices fluctuated sharply. Violent fluctuations in volume and price disrupt the economies of the developing countries. Boom and bust in commodity markets—economies buoyant one year, depressed the next—has its own political fall-out. It heightens unrest, exacerbates tensions, and unseats governments.

The Coffee Agreement has introduced some stability into this market and supplies have been adequate at prices fair to producers and reasonable to consumers. The United States takes almost half the world's coffee exports. A termination in our membership would destroy the Agreement and have very serious effects on the economies of the 41 producing countries.

V

Let me turn now to a subject which is not yet on your Committee's agenda. That is the question of special tariff preferences for the poor countries.

Expanding trade is vital to the developing countries. Even under the most optimistic assumptions as to what may be possible to improve and stabilize earnings from commodity trade, it is clear that the poor countries must diversify their economies and increase their exports of processed and manufactured goods, as they are beginning to do in varying degrees. But their fabricated goods face a formidable array of tariff and quota barriers in the markets of the advanced countries.

It makes neither economic nor political sense to help the poor countries modernize their economies and then refuse to buy their wares. As the President made clear late last year in his speech on Latin American policy, we will seek adoption of a liberal system of tariff preferences for the manufactured exports of all the developing countries—excepting only certain sensitive products—as part of a general arrangement in which all advanced countries would open their markets to all the poor countries without seeking reciprocal benefits for themselves. We are currently consulting with these countries—both the advanced and the developing countries—in an effort to work out a general understanding. We have, of course, made clear that our participation in any such arrangement will require approval by the Congress. I anticipate that we will be consulting with the Congress and specifically with this Committee on this subject at a later date with a view to submitting legislation in early 1971.

VI

Finally, I am aware of the misgivings and concerns about trade policy that are held by important business and labor interests. The international economic environment is changing. Business is internationalizing, with corporations establishing producing and marketing subsidiaries in all parts of the world. Competition is more intense as other industrial countries have forged ahead and become strong, vigorous and aggressive economic powers. The European Community, already the largest single trading entity, will in due course embrace most of Western Europe and will present new problems and issues for our foreign economic policy.

It is time to have a careful and detailed look at the implications for our national interest of these new developments and trends in the world of trade, investment and larger regional groupings. The President is appointing a Commission on International Trade and Investment Policy to examine the entire range of trade and investment issues, to analyze the problems we are likely to face in the 70's, and to prepare appropriate recommendations for policy and legislation.

I cannot anticipate the findings of the Commission. I can, however, express my personal conviction, grounded in my experience as a citizen and as Secretary of State, that in the broad choice between the retreat to protection and the advance to a more open world economy, the Commission must inevitably choose the latter, as 18 Congresses and 6 Presidents have done since 1934.

STATEMENT OF HON. GEORGE P. SHULTZ, SECRETARY OF LABOR

Mr. Chairman, I welcome this opportunity to appear before this committee in support of the proposed Trade Act of 1969, introduced as H.R. 14870. Though I intend to concentrate in my statement on the adjustment assistance features of the legislation. I would like to offer some general comments to place them in perspective.

During the past five years, our total volume of international trade rose from $48 billion to $73 billion and our merchandise trade balance dropped from $5 billion to slightly more than $1 billion in 1969. The factors influencing these changes include the growing economic strength and technological progress of our major trading partners, developments in international monetary and fiscal policies, intensification of worldwide trade competition, increased personal income, and heightened domestic demand stimulated by inflationary pressures which in themselves tend to build up imports while checking the expansion of exports.

Trade policy is, of course, only one tool in the arsenal of measures that seek to promote the national economic and social well being. Fundamentally, the control of inflation and our continued real economic growth lies in the field of basic fiscal and monetary policy. Economic growth itself is a process of dynamic change and involves the adjustment of individuals to that change. We require policies and programs to anticipate these problems of adjustment steps to prevent dislocation when it can be foreseen, and to provide remedies where advance actions are impossible. In particular, we must be concerned about the individual problems which arise as a consequence of actions which result in gains for the entire community. In short, within the framework of the legislation before this Committee, adjustment policy and trade policy go hand in hand.

The proposed Trade Act, and its provisions for liberalized adjustment assistance and escape clause relief programs, should help make trade policy a valuable component in the array of measures aimed at non-inflationary economic growth. A key purpose of such growth is providing a rising standard of living for our people. Employment and the standard of living in this country will, I believe, be maximized by a trade policy which brings about effective price competition, enlarged markets for our goods, a greater choice of products for our citizens, and simultaneously provides adequate safeguards and assistance for workers who may be affected by shifting patterns of international trade.

We recognize that when imports increase rapidly—either because of an expansion of the economy, or developments abroad, or a reduction in trade barriers—certain economic changes or dislocations will occur. Where imports contribute to the displacement of workers over short periods of time, our trade and manpower programs should provide the means for appropriate correctives. One of the central tasks of manpower policy is to cushion the shocks of both temporary and structural displacement by providing adequate methods for adjustment. It is in that sense that adjustment policy and trade policy must go hand in hand.

We recognize that some imports may cause dislocation. As the President stated in his message on this bill:

> Freer trade brings benefits to the entire community, but it can also cause hardship for parts of the community. The price of a trade policy from which we all receive benefits must not fall unfairly on the few—whether on particular industries, on individual firms or on groups of workers. As we have long recognized, there should be prompt and effective means of helping those faced with adversity because of increased imports.

That is why we urge liberalizing the adjustment assistance criteria to deal more effectively with employment displacement resulting from import competition. That is why, in speaking to the National Foreign Trade Council last November, I called upon the private sector to participate actively in the adjustment process.

The Congress recognized the problem by including adjustment assistance provisions in the Trade Expansion Act of 1962, to help firms and workers adversely affected by the increased competition from imports. This law was the first American effort of this kind in the area of foreign trade.

Assistance available to workers now includes monetary payments to tide them over between jobs; training to help prepare for alternative employment; job counseling and referral; and if necessary and where the workers are willing, relocation to places where jobs are available.

For a firm or its workers to be eligible to apply for adjustment assistance under the 1962 Act, the Tariff Commission must determine that increased competitive imports are the result in major part of trade agreement concessions. The Commission must further determine that these increased imports have been the major factor in causing or threatening serious injury to the firm or unemployment or underemployment of the workers.

These provisions have not worked as we believe the Congress intended and as was expected by U.S. workers and firms. Experience has shown that the criteria have been too stringent. They have not worked adequately. We believe that the modifications of both the criteria and procedures proposed in H.R. 14870 will produce a program which is both realistic and equitable.

We propose elimination of the requirement that tariff concessions must be shown to be the cause of increased imports. The increase in imports should not have to be related to a tariff concession. We also propose that adjustment assistance for firms and workers should be available whenever increased imports have been a substantial cause of serious injury to a firm or unemployment or underemployment of the workers.

The important consideration is that some Americans have been harmed by a situation that benefits the nation as a whole and we cannot expect the few to bear the entire cost. Since the first Trade Agreements Act was passed in 1934, the United States has continuously followed a basic policy designed to enlarge world trade and U.S. exports together by mutual reciprocal reductions in tariffs and other trade restrictions. Under this policy, duties have been reduced one or more times on almost everything we import. The relationship between increased imports and the multiplicity of duty reductions and other factors affecting trade patterns makes it exceedingly difficult to demonstrate clearly that tariff concessions have been the most important factor causing the increased imports. As the new bill recognizes, the key issue is whether increased imports are causing dislocation of workers, not the reasons for such increase.

To maximize the opportunity for firms and groups of workers to obtain adjustment assistance and at the same time maintain a link to an increase of imports as a cause of serious injury, the Administration considers that the showing that such imports have been a "substantial cause" of injury is appropriate and desirable. The test that increased imports be a "substantial cause" of injury would mean that they be an actual and considerable cause, not necessarily greater than that of all other causes, or greater than any other single cause. This is not as strict as the existing criterion of "major factor." Also it eliminates the necessity to determine the relative order of importance of the separate causes at work.

It is the intention of the Administration that adjustment assistance be extended to firms and groups of workers when appropriate. In contrast to tariff adjustment relief for entire industries, such decisions do not have nation-wide or international impact. Adjustment assistance is concerned with the problems of individual towns, cities, communities, plants and groups of workers. They do not directly affect international trade relations or trade patterns.

Finally, we propose that determinations of eligibility for firms and workers to apply for adjustment assistance be made by the President instead of the Tariff Commission. However, the Tariff Commission would continue to gather and report on the required factual information. The same procedure has been used successfully in carrying out the adjustment assistance provisions of the Automotive Products Trade Act of 1965.

Under the Act, the President delegated the responsibility for making determinations as to eligibility to apply for adjustment assistance to an inter-agency board. We assume that a somewhat similiar procedure would be adopted under this legislation.

Our purpose is to make a clear distinction between escape-clause and adjustment assistance findings. Industry-wide escape clause findings impinge directly upon our international trade relationships. It is therefore appropriate for such findings to continue to be made by the Tariff Commission, and be subject to Presidential review taking into account the entire international picture.

The Administration's bill would not change the conditions that individual workers must meet to receive assistance. For example, workers who are members of the group certified as eligible to apply for adjustment assistance, would still be required to meet State standards regarding availability for work; to have been gainfully employed for at least half the preceding three years; and to have worked for an adversely affected firm for half the previous year.

The proposed changes in the criteria and procedures contained in H.R. 14870 are all in keeping with the objectives of the adjustment assistance program. They will insure speedy and effective relief to individual workers and their employers. That such changes will work can be seen in the results of the Automotive Products Trade Act of 1965. There the criteria and procedures were designed to reflect the particular nature of the U.S.-Canadian Automotive Products Agreement and the industry involved. Under the terms of that Act, between 1965 and 1968, certifications were issued in 14 of 21 cases, covering approximately 2,500 workers. Seventy-five percent of the certified workers applied for and received benefits. The average benefit period for these workers was 20 weeks. The total cost over three years was about $4 million. The special provisions for filing adjustment assistance petitions under that Act expired June 30, 1968.

It is difficult to estimate the case load that would develop under the standards proposed in the Trade Act of 1969. The pattern of increase in imports and the impact of these imports on individual firms and workers is influenced by many factors including the general level of economic activity. Our best estimate is that about 15,000-20,000 workers will apply for adjustment assistance in the first year of operation under the proposed new criteria.

Currently in the Department of Labor we are starting several programs to improve our ability to assist adversely affected workers quickly and efficiently. An "early warning" system to pinpoint problems and adjustment is being developed so that we can alert officials at both the local and national levels about industries from which applications for relief are likely to come. The more we can anticipate problems the better we can mobilize the manpower services necessary to insure the speedy re-employment of displaced workers. Early notice will also help involve the private sector more deeply in the adjustment process. I believe strongly that private enterprises can do much by providing talent and energy to the task of solving, or preventing, dislocation problems. Those firms with important stakes in foreign trade have special concern to help improve the adjustment process. The problem of adjustment calls for concentrated joint efforts to effect the quick and permanent re-employment of displaced workers.

We plan to supplement the early warning system by the use of adjustment teams. These teams would include representatives of the state employment service, of the workers' last employer, and of the workers. As soon as we become aware of an import-generated layoff at a plant, we would send an adjustment team into action with the object, among others, of involving private enterprise and the community in assisting in the readjustment of the workers. It would employ all resources and techniques on behalf of the workers. These would range from advance registration, job banks, and individual re-employment plans, to specially designed training and assistance programs.

The Administration bill would amend the Trade Expansion Act to provide that sums appropriated for adjustment assistance for workers may be used to pay the cost of training provided to adversely affected workers to the extent that training resources provided under any Federal law would not otherwise be available. I would also propose, in furtherance of the programs to assist adversely affected workers, that the Act be amended to provide for various supportive assistance and services to such workers as would facilitate their prompt return to suitable gainful employment. These services would include minor remedial medical or dental assistance, job coaching, educational services, and other services to aid the individual workers. The services would be provided in the same manner as these services are provided under other manpower programs.

We will be submitting to the Committee and its staff language covering our proposal.

We recognize that in some situations a community may be almost completely dependent upon a single plant for its economic existence. If the adjustment assistance programs for firms and workers are inadequate to keep the community healthy, this Administration will undertake coordinated efforts to help it. All Departments and Agencies will cooperate to supply the expertise and the resources that will enable the community to undertake requisite development activities.

EMPLOYMENT AND TRADE

We must be responsive, through adjustment assistance and related techniques, to problems which may arise from time to time as a consequence of U.S. trade policy. However, as best we can judge, U.S. foreign trade means more, not fewer, jobs and job opportunities for Americans.

The measurement of the relationship between employment and trade is very difficult. In a dynamic and swiftly moving competitive economy such as ours, there are inevitably numerous factors other than, or in addition to, trade which influence employment in any given industry or the availability of job opportunities. For example, movements in productivity which reflect changes in technology, capacity utilization, and the allocation of resources all affect the employment picture as does the general state of the economy and the thrust of domestic and international competition.

U.S. merchandise exports and imports each represent in value, less than 4 percent of our gross national product, and as such are important but not dominant influences on the economy. It is worth noting that in 1968 and 1969, when imports reached new high levels, total employment also reached new highs and unemployment new lows.

Bearing these factors in mind, the Department of Labor has tried to develop data, which at a specific point in time, might give us some order of magnitude of the relationship between trade and employment—assuming of course that other relevant factors remain unchanged.

On the export side the Bureau of Labor Statistics has estimated that 2.7 million jobs were involved in producing the goods which were actually shipped out of the country in 1969. This estimate includes the direct employment necessary to produce the exported goods, and also the indirect labor necessary for all supplies, material and services incorporated in the exported item. The labor involved in the transportation and handling of the exported item is also included. Almost 4 percent of the total number of jobs in the private sector is represented by these export-related jobs.

In addition, there are a number of foreign trade related jobs involved in the handling and processing of imported goods. This would include activities of longshoremen, customs brokers, coffee processors, etc.

It is harder to present a realistic picture of jobs related to, or affected by, imports than for exports. There are, for example some imports which we do not produce domestically (coffee, chromite, cocoa, tea, bananas), and others for which domestic production is not sufficient to meet our domestic needs (bauxite, asbestos, sugar). Imports of such goods supplement rather than displace domestic supplies and do not raise issues of possible job displacement.

The largest part of our imports represents goods which are also produced in the U.S. In 1969, if we had attempted to produce domestically goods equivalent in value to such imports, the Bureau of Labor Statistics has estimated that we would have needed 2.5 million additional workers, and the facilities and equipment for these workers to use. It is reasonable to assume that in 1969, unless there had been a concerted effort to transfer resources to this end, we would not have found that number of people with the requisite skills nor the necessary facilities to produce those goods. Rather, the attempt to replace a substantial amount of such imports by domestic production would have placed additional strains on the economy and heightened even further the inflationary pressures. I should add, of course, that if we were to attempt to replace these imports with domestic production, retaliation by our trading partners would follow, and some considerable part of our 2.7 million export jobs would be lost.

I do not want to suggest by this analysis that there are not particular cases and particular industries in which the volume and composition of imports do in fact create problems of job displacement for workers and difficulties for producers. Instead my point is that the mechanisms of the escape clause and adjustment assistance, as proposed in this bill can, in the main, deal with such problems as do arise from time to time.

My colleagues are dealing extensively with the other provisions of H.R. 14870. I would like to express my view that the bill, as a whole, is a forward looking response to the economic realities of the world of the 70's. The President, in his message has stressed that world economic interdependence has become a fact along with heightened world-wide competition.

The bill is framed in recognition of these facts. It provides modest tariff reduction authority for the President to permit this country to continue to make minor adjustments which are required from time to time in our trading relations with other countries. Since the GATT is the main forum through which these relationships are conducted, the legislation provides authorization for our necessary financial support for that organization.

The bill would repeal the American Selling Price System carrying out agreements developed in the Kennedy Round which will operate to the advantage of the American chemical industry and its workers and remove one of the major obstacles to a concentrated attack on the nontariff barriers of other countries.

The bill recognizes the importance of non-tariff barriers of other countries as impediments to our trade and provides authority for the President to respond appropriately when other countries place or maintain unjustifiable restrictions against U.S. products whether industrial or agricultural. Finally, as I have noted, the legislation would liberalize in a sound and reasonable way the access of industries to the escape-clause procedures, long a necessary and desirable safeguard in U.S. basic trade legislation. The changes proposed for the escape-clause complement the changes in adjustment assistance procedures which I have discussed at some length.

In my view, the Trade Act of 1970 represents a consistent continuation of the Nation's reciprocal trade agreement program. This kind of trade policy holds the best promise for expanding employment opportunities in the wide range of industries involved in international trade.

PAGE 62 BLANK

0—70——5

Statement of Hon. Clifford M. Hardin, Secretary of Agriculture

Mr. Chairman and members of the committee, I greatly appreciate this opportunity to testify in support of the proposed Trade Act of 1969.

Others who have appeared here earlier in the week have discussed in some detail the provisions of this bill, so I won't go over that ground again. But I will say that enactment of this legislation will continue the overall drive toward freer trade. I am sure that American agriculture, which has seen the rapid spread of protectionism in recent years, favors any measure which, like this bill, emphasizes a liberal rather than a protectionist approach to trade.

Every sector of our economy has a stake in liberalized agricultural trade.

Farmers benefit, of course, from export marketings. For example, in fiscal year 1969 the export market provided an outlet for almost three-fifths of U.S. production of rice; two fifths of the soybeans—including oil equivalent; nearly two-fifths of the tobacco; and over a third of the wheat.

Businessmen are helped. Agricultural exports mean profits for many export-related enterprises, such as inland transportation, storage, financing, insuring, ocean shipping, and the like.

American workers gain. A study by the Department of Labor reveals that in a recent year agricultural exports supported about 730,000 U.S. jobs.

There is another point. For many years agriculture has been a prime dollar earner in overseas markets. The gross earning in recent years has been well over $5.0 billion annually. This, of course, has helped our balance of payments.

U.S. agricultural exports set a new high record of $6.8 billion in fiscal year 1967. At that time it looked as though this trade would continue to expand—to $8 billion, $10 billion and beyond. Everything seemed to be in our favor. World population was increasing. Economic growth and related per capita purchasing power was on the upgrade. Most importantly, our efficient agriculture enables us to export many major farm products at prices competitive with those of other countries.

But the bright promise has not materialized. In fiscal year 1968 our agricultural exports dropped off to $6.3 billion. In fiscal 1969 they slid down to $5.7 billion. In this current 1970 fiscal year we are looking for a total of well over $6.0 billion—an encouraging recovery, to be sure—but still far below what the rest of the world could and should take from us.

What happened?

Basically, there has been a general increase in agricultural production outside the United States. With some of this increase we can have no quarrel. For example, in the developing countries of the Far East, new varieties of wheat and rice, plus other technological advances, have combined to push production levels upward. Technology has moved ahead almost everywhere as agricultural know-how has become diffused throughout the world. And in recent years the weather has been generally favorable.

But we do quarrel about the increase in agricultural output that has come about because of unreasonab'y trade barriers set up to protect excessively high guaranteed prices. Trade carried on naturally and without artificial devices or constraints benefits both parties. Barriers to protect high guaranteed prices of farm products are not only a constraint in themselves but they also cause distortions in production. With systems of protected guaranteed prices, governments make it profitable for farmers to use the fertilizer, machinery, improved seeds, improved breeds, and all the other inputs which, in the aggregate, tend to expand output. Therefore, over-protection brings about the substitution of high-cost, domestically produced farm commodities for efficiently produced low-cost imported farm products. Both importing and exporting countries lose in the long run.

Let me note here that the United States also protects its farmers. For example, under Section 22 (of the Agricultural Adjustment Act of 1933) farm programs on several commodities, including dairy products, are protected from material interference from imports. In recent years we have had to tighten restrictions on dairy products. We also have had to limit imports of meat under other legislation. These restrictions on imports of dairy products and meat stem from chaotic conditions in world markets. High guaranteed dairy prices overseas have stimulated surpluses which foreign countries—notably the European Community—are attempting to push into other countries, including the United States, through use of heavy subsidies. As for meat, the restrictions of the Community and systems of other countries have tended to divert supplies of the meat exporting countries toward the United States. However, the United States, with these few exceptions, protects its farmers with duties averaging a moderate 10 percent—the lowest for any major agricultural country in the world.

Overly protectionist systems are hurting our exports in several ways. First, high prices in the protecting countries mean a generally reduced demand for the protected products. Second, the trade barriers, such as the variable import levies used by the European Community, effectively keep our farm products from competing in the protecting countries. Third, the stimulated productic.. often piles up as commodity surpluses, which the protecting countries try to dispose of abroad by subsidizing exports into our traditional overseas markets.

Let me cite two examples of the way high guaranteed prices distort trade patterns:

In the past 3 years the high-price system of the European Community has contributed to a production increase in coarse grains amounting to 5.7 million metric tons. This is high-cost output that has increased expenses of farmers and has raised consumer prices of meat, poultry, eggs, and other livestock production. Also, this high cost production has meant a decrease in imports of efficiently produced feed grains on the order of 3.4 million tons. I might add that the United States has borne the brunt of this decrease.

Also, the European Community, which has increased its wheat production by about 4 million metric tons in the past 3 years, has shown no disposition to reduce acreage or to lower its grain prices in the light of the world's current wheat surpluses. This policy is in marked contrast to actions of the other major wheat-producing countries. The United States recently proclaimed a 1971 national wheat allotment of 43.5 million acres—a record low and the fourth successive cut in U.S. wheat acreage. Canada has put into effect a program that could virtually take that country out of wheat production this year. Australia has initiated a delivery quota system aimed, by limiting farmers' deliveries of wheat, at discouraging production. Argentina is keeping its wheat harvests in check by restraining prices farmers can get for their grain. The failure of the Community to curb its grain surpluses is canceling out in some degree the adjustment efforts of other producing countries.

We also have had difficulties in other directions.

The United Kingdom, a major feed grain market, has been growing more of its own grain, which it has been protecting under a system of variable import levies. For one thing, the United Kingdom has had a balance of payment problem, which has made increased self-sufficiency at least temporarily desirable. But the country also is attempting to bring its agricultural production and trade policies somewhat in line with those of the European Community, which it hopes to join.

U.S. exporters are contending with subsidized Danish poultry in such markets as Switzerland, Greece, the Middle East, Singapore, and Hong Kong. And Japan still imposes a number of quanitative restrictions on agricultural products. Many of these, such as grapefruit, canned pineapple, ham, and bacon, are items which, by and large, do not compete with Japan's domestic production.

I have talked about problems. But I don't want to leave the impression that the future of U.S. agricultural trade is completely dark. It isn't, of course. While problems are uppermost in most of our minds—and properly so, I think—I should point out for the sake of perspective that the trade picture also has some bright spots.

Soybean exports make up one of the brightest spots in that picture. This is a product the world wants and needs as a source of protein food for livestock and as a source of vegetable oil for human food. We are the world's most efficient soybean producer. Furthermore, we have duty-free access, not only to the European Community, but also to several other major importers, including Canada, Denmark, Norway and Israel. We have good access to Japan, the United Kingdom, and other markets. These factors have all come together this season. Exports in this current season have been almost phenomenal. Shipments of soybeans as beans will total about 400 million bushels—a new record by a wide margin and the largest percentage gain in exports since production of this crop began in the United States. We will ship record quantities of soybean meal, and soybean oil shipments are holding up well. Altogether, exports of soybeans and products will have a record value of over $1.4 billion.

World demand for feed grains also is increasing. Economic growth and increased purchasing power around the world are creating an expanded demand for meat, especially beef, and for other livestock products. The need for bigger herds and flocks is generating expanded requirements for feed grain, much of which must be imported. The United States, as the most efficient producer of coarse grains, should share substantially in foreign market growth.

There is a basic market for U.S. wheat. Our hard wheat, in particular, is popular abroad as a source of the high-gluten flour needed for bread-making. Our durum wheat also is in demand for spaghetti, macaroni, and other pasta products.

We see growing markets abroad for other commodities, such as citrus fruits and juices, almonds, hides and skins, tallow, and many processed foods. We see expanded exports of high-quality beef and poultry specialities in countries where tourism is important.

We are watching the economic situation as it develops around the world.

Japan is currently the top "country" market prospect for U.S. agricultural commodities. We are already exporting close to $1.0 billion worth of farm products annually to this remarkable island nation whose gross national product is increasing at a fantastic rate of over 12 percent a year. And we will export more in the years that lie ahead. Japan continues to become more an industrial nation and less an agricultural producer. We have similar opportunities in Taiwan, South Korea, Hong Kong, and Singapore, which are also industrializing. We have opportunities in the oil-rich Middle East and in Libya. We have opportunities in the Caribbean area, where tourism is on the upgrade.

We are doing the best we can under present conditions. But in order to realize the full potential of these markets, we need to work in a liberal, market-oriented climate. The Department of Agriculture has greatly expanded its export market development activities in order to capitalize to the maximum on the potentials that exist. Producer and trade associations representing every major export commodity are now partners with the Department in this drive. Private firms here and abroad are teaming up through these associations to join with us in a sophisticated program of merchandising and promotion through the markets of the free world. The results for many commodities are encouraging despite the protectionist problems that we constantly encounter.

If a market-oriented trade climate is to be created in the trading world, U.S. agriculture will need all the legislative help it can get from the Congress. We need to move forward from the Kennedy Round of negotiations. While that round resulted in some trade liberalizing agricultural concessions with a number of countries, it did not deal effectively with agriculture's major trade problems.

The Department of Argiculture welcomes new initiatives.

In this connection the Department is heartened by knowledge that the President's Commission on International Trade and Investment will be studying agricultural as well as industrial trade problems, and will be recommending policies. The Department, you may be sure, will give the Commission its whole-hearted support.

But the Department does not expect others to carry all the load. Department officials have been accelerating and deepening the process of international consultation in agriculture. Just last week I took part, at Ottawa, Canada, in an international consultation on adjustment of wheat production. I have participated in other agricultural trade conferences on this continent, in Europe, and in Asia.

We must press forward toward liberal trade in this world.

I am sure you recall, as I do, the very serious farm problems that developed in the late 1920's. At that time there were no programs to cape with falling prices, surpluses, drought, and all the other ills that were plaguing the agricultural sector. Programs had to be devised—and some mistakes were made. For example, one of the responses to falling agricultural prices was the passage of extremely restrictive trade legislation—the Tariff Act of 1930. This brought retaliation from foreign countries, of course. As a result, in 1931–34 our agricultural exports dropped to an average of about $800 million, as compared with shipments worth $1.8 billion in the preceding 4 years. I wouldn't want to see such a thing happen again. We have problems now, but we will have even more problems if we push for restrictions in the agricultural trade field instead of continuing our drive for liberalization.

Farmers are still on the lowest side of the income scale. An expansion of exports would enable them to obtain an increased part of their income from foreign markets. First, however, they must have access to those markets. Therefore, the United States must keep up the pressure for progress toward freer trade—toward a more market-oriented world trading system. The Trade Act of 1969 will enable us to continue our drive for liberal trade.

The years immediately ahead are going to be critical from the standpoint of agricultural trade. The policies of the European Community will be spread over a greatly increased area. It now appears that the European Community will eventually encompass the present six countries plus the United Kingdom, Ireland, Denmark, Norway, and possibly other European nations. It could well be enlarged still further through associations or special arrangements. One day it could account for over half of the world's trade in farm products. It is therefore very important that the European Community review and revise the application of its Common Agricultural Policy so that both the Community review and revise the application of its Common Agricultural Policy so that both the Community and the rest of the world will benefit to an increasing degree from a more efficient use of the world's resources through the expansion of trade.

Above all, U.S. agriculture needs a world-wide climate of liberal trade. In such a climate importers and exporters of farm products can best work together in seeking solutions to their problems. The Trade Act of 1969 is cast in a liberal mold. I urge that it be enacted without delay.

PAGE 68 BLANK

OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

STATEMENT OF HON. CARL J. GILBERT, SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

This Committee spent a great deal of time during its Hearings in 1968 on the subject of the American Selling Price System of valuation and on the reasons for and against eliminating the system in return for concessions by other countries. It is a complex issue with many details. It is complex because the system itself is exceedingly complex both in its workings and its results. To understand it fully requires many details because the system covers a vast range of different competitive situations, highly diverse products, and equally diverse company situations. In some instances, moreover, a full understanding may also require examination of business confidential information which cannot properly or legally be discussed in public.

With your permission, I will not take up your time today discussing all the many specific and often highly technical details that are involved in the proposals nor all of the information which has been assembled in reaching a decision to put them before you. Instead, I propose to discuss those elements which I believe should bear most heavily in your deliberations and which, to a relative newcomer to this subject such as myself, strike me as the most important of the many considerations. I will, of course, be glad to discuss any and all of your specific questions here or, if necessary, in Executive Session.

I believe, first of all, that you should be told how this Administration approached this subject and the grounds on which it determined that this recommendation should be made to you. You will recall, I am sure, that a very similar proposal originated in the previous Administration.

Second, our discussion today will, I believe, be more purposeful if I also very briefly describe what ASP is and how it works. Third, I want to review the status and competitive situation of the benzenoid chemical industry, the principal area of controversy in the proposed elimination of this system of providing extraordinary protection. I will particularly emphasize developments in the years since you last had an opportunity to examine the facts.

Fourth, I intend to summarize the reciprocal nature of the agreement you are, in effect, being asked to put into effect. Finally, I would like to give you our views as to the most probable results, domestically and internationally, of your acceptance or your rejection of this recommendation.

I should apologize in advance for the number of facts and figures I must put before you. I cannot provide you with a sound or adequate basis for your decision with anything less. This recommendation is not based on any theoretical or philosophical grounds, but on as searching an examination of the facts associated with trade and competition in this industry as it is possible to make. The many generalizations which have been made about this issue can only be tested and a proper judgment reached on the basis of facts.

Extensive information is essential in dealing with the ASP issue because the impact of the present system and that of its removal can properly be judged only in terms of many different chemical product categories, many different company situations, and, because of the inherent nature of ASP, of many different tariff situations. Attached to my testimony you will find a set of statistical tables to which I shall refer during my testimony. Additional data can be supplied on a wide variety of pertinent aspects. In addition, if the Committee wishes, I am prepared to submit for this record the testimony which appears in the record of your 1968 hearings on this subject updated to take account of all of the developments since it was prepared for which new statistical data have since become available.

REVIEW OF THE AGREEMENT

I think the Committee perhaps knows that when this Administration took office early last year the President set in motion a broad series of policy reviews, including a comprehensive review of our trade policies. Among other subjects, extensive reexamination was made of the unfinished business inherited from the previous Administration—an agreement negotiated in 1967 in which that Administration undertook to seek Congressional approval of the elimination of the ASP system in exchange for trade concessions by others involving both tariffs and nontariff barriers.

We studied in detail the methods by which this agreement had been reached, and the facts and arguments upon which it had been decided to negotiate such an agreement. Our reexamination had the very considerable added advantage of the record of your previous hearings and was, thereby, able to study in detail the case that had been presented to you in 1968 by the chemical industry and by other witnesses both in opposition to and in favor of elimination. We were able, thereby, to compare the opposing contentions, the varying facts, the gaps, and reach a new, indepedent judgment. Finally, we had the still further benefit of at least some experience with the tariff reductions negotiated during the Kennedy Round which have since begun to go into effect.

Our purposes and our criteria in this review were the following. Since it was an inherited issue, we sought to assure ourselves that the procedures and the preliminary work had been thoroughly and fairly done, that all possible resources, expertise and facts had been brought to bear, that a fair opportunity had been offered to all parties to make their views and their cases known, that these had been properly considered, and that a reasonable judgment had been reached. Equally important, since the proposal involves an agreement for exchange of concessions, it was examined with a view to its balance and reciprocity.

Finally, since it had been asserted that a domestic industry and its workers would be adversely affected if the agreement were implemented, great care was taken to examine any possibly injurious consequences.

Our judgment, embodied in H.R. 14870, is that it will be in our interest to eliminate this system. The form in which elimination is proposed and the rates which would replace the present, ASP-based rates were fairly and reasonably arrived at, the agreement in which they are embodied provides reciprocity and, above all, the application of these rates should not be the cause of injury to the firms and workers involved. It should lead, instead, directly to an expansion of mutually beneficial trade in chemicals, and to benefits, both direct and indirect, to other American industries, farmers, and consumers. I can add without any equivocation whatsoever, that although no value is assigned to it in appraising reciprocity, the elimination of ASP will lead to an improved climate, greater credibility, and a major stimulus to the future removal of other nontariff trade barriers. Moreover, all of the evidence accumulated since 1968 and virtually all of the trends since then reaffirm the evidence you had before you in 1968 that the chemical industry, including its benzenoid producers, is one of our more aggressive international competitors scarcely in need of extraordinary protection. I should like to return to all of these points later.

THE ASP SYSTEM

The ASP system as it applies to certain chemicals has now been in operation two years short of a half century. It began, as the record the Committee has assembled indicates, as a means to afford adequate protection for one of our infant industries—the benzenoid segment of the chemical industry. Its particular form originated in the feeling that some unusual form of protection was needed under the conditions which existed during World War I and which were continuing in 1922 when the Congress enacted the basic legislation. The form may very well have been influenced by hesitation in the Congress to legislate openly the nominal duties high enough to achieve this goal.

The ASP system has been in effect without significant change ever since. Meanwhile, the chemical industry has grown from an infant to its present $49 billion scale. Its benzenoid segment alone now accounts for $4.3 billion in annual shipments. Meanwhile, too, its technology has changed vastly, shifting from a coal-tar base to primary dependence today upon petroleum and natural gas.

Throughout this period, today, and in the future unless the Congress changes the existing statute, the products covered by this system are valued for duty purposes not—as are the bulk of all other products seeking entry into this country—on the foreign "export value," but on the basis of the price set by an American manufacturer of a competitive product. Benzenoid products not deemed competitive with domestic products are assessed for duty purposes on the "U.S. value," that is, the wholesale price here of the imported product less such elements as general expenses, product, duty, and transportation costs.

GENERAL OBJECTIONS TO ASP

This might sound simple and fair enough to some. The objections to it are five in number:

First, it provides a very extraordinary degree of protection, both in comparison to the duties which now apply to other U. S. imports and in comparison with comparable duties abroad. Our statutory or nominal rates for benzenoids today are already higher on the average than those applying to most other products entering the United States and higher, also, than those typical of other developed nations' tariff schedules.

When further applied to American wholesale prices, these tariff rates produce effective rates often many times higher than the apparent duty. Some are actually above 100 percent and the peak, as determined by the Tariff Commission, is 172 percent. These effective rates are, in effect, invisible. The system clearly disguises the degree of protection it provides. Moreover, there is no way of knowing how high rates can go; an effective rate can only be calculated on the basis of actual transactions. Beyond any doubt, some chemical trade is prohibited by this system.

Second, the system is inconsistent with the customs practices of all our trading partners for nonagricultural goods.

Third, under the ASP system a domestic manufacturer has certain unique and, I believe, unnecessary and unfair advantages. Within the limits of the effectiveness of competitive forces operating in the U. S. market, a U.S. manufacturer can adjust the level of his own tariff protection against the products of his foreign competitor by the wholesale price he sets for his own product.

Moreover, if he is not actually selling a product which is "like or similar" to one currently imported, he can indicate a price that he would be "willing to receive" for this product and thereby trigger an increase, usually substantial, in the tariff wall that any import must surmount.

Fourth, a foreign exporter of a product potentially subject to ASP cannot know at the time he signs a contract or ships the product whether it will be subject to ASP, or what the ASP will be until it has passed through our Customs. This uncertainty as to the amount of duty is a further burden on trade.

Fifth, when there are few producers, a relatively frequent situation for many individual chemicals, any ability to set or vary prices becomes under the ASP system the further ability to determine a product's own level of tariff protection. This, in turn, can further restrain competition both domestically and internationally.

SPECIFIC OBJECTIONS TO ASP

Above and beyond these general propositions are a variety of more specific objections to this system. The statutory language in section 402e of the Tariff Act of 1930 specifies that in the absence of actual domestic sales of a like product the ASP shall be that price at which chemicals are "offered for sale for domestic consumption in the principal market of the United States, in the ordinary course of trade and in the usual wholesale quantities" or, alternatively, the price a producer "would have received or was willing to receive," again in the ordinary course of trade and in the usual wholesale quantities.

Such broad language inevitably creates problems both in administration and in equity. It, in effect, explicitly assumes that there is necessarily a single price for each chemical and one which can be determined with certainty and accuracy by Customs officials. It implicitly assumes that list prices, where they exist, will be equal to prices at which goods are actually sold and, where they do not exist, that Customs will be readily able to obtain the necessary data.

These assumptions are not realistic. They do not allow for the desirability of determining whether a quoted price is a reasonable one—a problem which may arise in the case, for example, where the domestic article, often patented, is neither offered nor sold as an intermediate product, but rather is made by a single or a few integrated producers who use the product internally to make finished articles from it. In the latter case, the price for the intermediate may well be established at a level which deters any prospective purchasers of a similar import from importing. Yet this is, under the present statute, the proper basis for valuation.

The "willing to receive" provision of the statute further means that an importer may bring chemicals to the United States under the impression that there is no domestic production, only to learn that an American manufacturer does produce them, not for commercial sale but entirely for his own, internal use. If this manufacturer then states to Customs that he "would be willing to receive an offer" and quotes his price, even though no commercial transactions have actually occurred at that price it also becomes the basis for duty.

This feature of the statute thus permits situations where domestic firms have the potential for manipulating prices to deter and even eliminate any import competition. As a result, in order to anticipate these effects, importers often bring in very small samples, solely in order to establish the magnitude of the prospective duty. This practice is one of the explanations why our trade statistics show that imports do, indeed, sometimes enter over fairly astronomical tariff levels.

Still another difficulty with ASP concerns the alternative valuation base which applies when a benzenoid chemical is found not to be competitive with a domestic product. In this situation, the statute provides that a "United States value" will be determined and used as the basis for valuation. This essentially requires Customs to work back from a quoted wholesale price of the import in the United States market, to estimate and deduct all necessary expenses and mark-ups incurred in its importation and arrive at an estimated equivalent of an export value for the chemical. This, too, is time-consuming and often leads to controversial results. Certain shipments, we have been informed, have been under consideration for a decade while the matter was being litigated through the courts.

Customs regulations require dye producers to file data on the dyes they make and offer to sell. The number of commercial dyes on file with Customs, however, is small relative to the total number of chemically known products potentially subject to ASP. It would be administratively impracticable to establish a system for all benzenoid products similar to that used by Customs in the case of dyes.

Because of these problems, my predecessors in the Executive Branch undertook an inquiry to determine if another system could be devised which would provide adequate protection for this industry and whether, in the course of the international trade negotiations then taking place, a reciprocal agreement could be obtained in return. The Committee's record adequately documents the procedures followed by the Tariff Commission in arriving at new rates, its further role in appraising whether or not they could be reduced during negotiations, and the basis upon which a separate, ad referendum agreement was eventually obtained—the agreement which is now before you. it is our judgment that these procedures were fair and equitable and that the results, given the inherent nature of the ASP system, provided an equitable basis for future tariff treatment for the chemical industry.

THE COMPETITIVE RECORD

I should like to turn now briefly to a few of the key facts I believe you should keep in mind about the chemical industry. Its amazing record of growth, documented for you in your 1968 hearings, has continued over the intervening years. Since 1967 it has grown better than 7 percent per year. It has continued its enviable record of a faster rate of growth than manufacturing in general. Over the longer term, since 1947, for example, it has grown at nearly twice the rate of our economy and nearly 80 percent faster than all manufacturing.

Its profits have consistently outpaced those of all manufacturers. In 1969, a less than exuberant year for many industries, its profits were 6.5 percent of sales, while manufacturing profits on the average were only 4.8 percent. Its return on investment has also been consistently above average. The rate of annual increases in capital expenditures are similarly above average. This year, by the way, its degree of confidence in the future is implicitly visible in its planned increase of 19 percent in capital expenditures.

I think I need probably not remind you that it is one of our more research-oriented industries, one known for new product development and for steadily rising productivity, as well. Productivity, moreover, has increased while employment has also been rising steadily. Reflecting its high productivity, labor costs are only about 22 percent of the value of shipments, one of the lowest ratios in manufacturing.

This domestic performance is matched by its performance in world markets. Its $2.2 billion trade surplus in 1969 was double that of as recently as 8 years ago, one-fourth greater than in 1966. Exports over the past 5 years have increased an average of 7 percent per year. The percentage growth in imports has been greater, but the dollar increase is only half as much. Between 1964 and 1969, imports increased $500 million, exports by $1 billion. In recent years the industry, in spite of renewed strength of foreign producers, has kept close to a 25 percent share of the total world export market in chemicals. Import figures, moreover, include a substantial share of necessary chemical raw materials, as well as finished imports which do not directly compete with American products. Nearly half of all imports, for example, are duty free, and another portion come from Canadian subsidiaries of American firms who have rationalized their productive operations on a North American basis.

During the past three years, chemical imports on the average have grown 8.8 percent per year. This rate, while greater than that of our exports, is only slightly more than half as much as the comparable recent growth rate of our imports of all manufactured products. With imports of other manufactures growing faster in recent years, chemicals have actually dropped off as a proportion of our total imports.

Our continued ability to export, and export more each year, moreover, has occurred over a period when the industry's foreign investments and its producing operations abroad have been growing rapidly. Its sales from its foreign subsidiaries in 1967, for example, are estimated to have totaled approximately $9 billion, a figure far in excess of its foreign sales from U.S. factories.

A further very important dimension of the industry's competitive posture is its ability to achieve a surplus in trade with every major region of the world, including those areas with strong, internationally-oriented chemical industries and also with substantial American subsidiary operations. Our surplus with the European Community, for example, grew from $356 million in 1965 to $497 million last year, and with Japan, from $103 million to $183 million over the same period. It has increased comparably with Canada and declined moderately only with the EFTA countries since 1965.

Thus far, I have been portraying for you the salient facts about the entire chemical industry. Since ASP applies only to benzenoids, I should properly add the corresponding figures for this segment, though in many respects the two are intimately intermingled and often data on benzenoids alone cannot be separated out. Our only source for figures applying only to benzenoids is the Tariff Commission. Its data, however, cover only production, sales, and imports, and are subject to the rules of confidentiality and, therefore, cannot always provide the entire picture.

For all practical purposes, however, the recent benzenoid performance alone can be summarized as being as good, if not better, than that of the entire chemical industry. The shipments of the domestic industry in 1968, the last year for which we now have data, were $4.3 billion, or about 10 percent of all chemicals. Over the past three years, domestic shipments have grown at an average rate of 10 percent per year, well above the all-chemical growth rate and about the same as its growth in each of the other years of the last decade.

Exports in 1968 were an estimated $734 million—one-fifth of all chemical exports—while imports were only $107 million, thereby recording a trade surplus of $627 million. This surplus is even greater—$681 million—if calculated on the basis of only those imports which actually competed with domestic production.

Of total imports of $107 million in 1968, $53 million were classified by Customs as competitive with domestic products, equivalent to 1.5 percent of domestic shipments. This was an import market share far below the national average for all manufactures. Although employment data in benzenoids are not regularly compiled, it would appear that employment, too, has been increasing steadily. Profits of the benzenoid segment of the industry are not separately compiled, but there appears little evidence to suggest that overall they differ substantially from that for all chemicals.

Like any broad industrial group or category, the benzenoid segment of the chemical industry is not homogeneous. Many different products are made by many firms of different sizes and market situations. The benzenoid sector can be generally subdivided into 10 major product groups: Intermediates (including rubber-processing chemicals), dyes (including azoics), pigments, medicinal chemicals, flavor and perfume materials, plastics and resins, plasticizers, surface-active agents, pesticides and agricultural chemicals, and miscellaneous chemicals.

Over 25 percent of total benzenoid sales consists of plastic and resin materials, an area where the United States has long been a major innovator, a dominant producer, and a very large exporter to virtually every corner of the globe. Another 20 percent of total sales is in the area of plasticizers, surface-active agents, and pesticides and agricultural chemicals. The United States is also a dominant producer in each of these product areas.

There have been few suggestions that foreign competition is a serious factor in either of these areas. Neither has foreign competition been a particular issue with respect to flavor and perfume materials which comprise about 1 percent of total benzenoid sales. Finally, there appears to be little question over miscellaneous other benzenoid chemicals.

THE PROBLEM AREAS

The areas of contention, that is, the areas where the domestic industry has primarily asserted that there is a likelihood of injury from conversion of the ASP system and from reductions of tariffs are the intermediates and, in the finished products area, dyes, azoics, pigments, and medicinals.

Intermediates, the raw or semiprocessed materials from which the finished benzenoid products are made, are typically consumed by their own producers and, typically too, the nature of import demand for them fluctuates from year to year, often in response to domestic shortages. Total imports in 1969 of $49 million, for example, were only 0.4 percent of consumption in pounds and 3.8 percent in value. The import data for recent years reveal this fluctuating pattern. The largest single intermediate imported in 1966, for example, was phenol at 8.6 million pounds. In 1968, however, less than 500 pounds were imported. In 1968, on the other hand, the largest single import was of 11.1 million pounds of phthalic anhydride. In 1965 there were no imports at all of this product.

In contrast, consumption of finished benzenoid products has grown from $1.9 billion in 1965 to $2.5 billion in 1968, while overall imports have less than 3 percent of the U.S. market, 1.5 percent if noncompetitive imports are excluded. Between the major categories of finished products, however, there are normally wide variations. Dye imports, for example, in 1968 accounted for 8.8 percent of the U.S. market (3 percent for competitive dyes only), pigment imports were 3.9 percent of all sales here (0.6 percent for competitive imports only). Imported medicinals accounted for 5.8 percent of our market (2.1 percent if only competitive drugs are considered). Parenthetically, I should note that dye imports rose sharply in 1968—about 44 percent. When this figure is mentioned in subsequent testimony, as I am sure it will be, it should be recalled that two-thirds of the increase was in noncompetitive dyes. Much of the remaining increase was in a single dye, called Vat Blue 1. Typical of the changing product mix of chemical imports, imports of this product fell off in 1967, but rose again in 1968 back essentially to the level prevailing since 1963.

Total imports in 1968 of finished benzenoids other than dyes, pigments, and medicinals, were about one percent of all sales, and less than one-half percent if noncompetitive products are excluded. Our benzenoid exports, by the way, are heavily concentrated in finished products—nearly 70 percent of the $734 million total I mentioned earlier involves final products. Further details and figures for a longer time period can be found in the tables appended to my statement.

I must apologize for subjecting you to this stream of figures. I can summarize their meaning simply as providing a basis for confidence in the ability of this industry, including its benzoid segment, to compete internationally. There are, of course, undoubtedly individual products in which, for any one of a variety of reasons, we have fallen behind or someone abroad has found a way to do a better job. If this is true, it is normal for any industry.

Secondly, these figures provide no basis for concern that this industry's strengths have deteriorated in the last several years. Events have borne out the forecasts made to this Committee in 1968 that this was a strong and expanding area of American industrial ability, and one which would continue to meet and gain in the challenge of the world market place.

Finally, the figures before you dramatically testify to the facts that while imports have continued to increase, in some areas at a fairly rapid pace, they have not increased as rapidly as imports of other manufactured products. They account in most instances for a very small share of our domestic market. Moreover, the surplus of exports over imports testifies definitively to the international competitiveness of this segment of the industry.

THE SUPPLEMENTARY AGREEMENT

I would now like to turn to the question of the reciprocity of the agreement before you. I do not believe that at this time it is particularly useful to review the chemical negotiations during the Kennedy Round; the issue today is whether it is in our interest now to ratify an agreement separate from but contemporaneous with that negotiation.

A few preliminary comments are in order. A judgment that reciprocity has or has not been achieved in a trade agreement necessarily involves a great many separate considerations. In the first instance, it involves a judgment that there has been a fair and balanced exchange of new trade opportunities. A negotiator, however, can only seek new opportunities and value them with the facts at hand; he cannot insure that all of the subsequent actions necessary to take advantage of those new opportunities will be taken or that trade will actually occur. Nor can he obviously take into account all of the future imponderables and unforeseen events.

Practically, he must make a judgment based on both quantitative and qualitative factors. It is necessarily a judgment based in the first instance on a composite of the nature and volume of trade subject to a concession, the depth of that concession if it involves a tariff reduction, and an evaluation of the potential thereby created for future growth of trade. Combining these and the many related factors into a judgment of future opportunities, I believe that, should the Congress approve this bill, we will obtain significant concessions and new trade opportunities, both for the chemical and for other industries.

The agreement, when implemented, requires the United States to.

1. Reduce chemical duties by an average of about five percent. This reduction consists of:

(*a*) A 30-percent reduction in certain low duty chemicals, cut by only 20 percent in the Kennedy Round;

(*b*) Reductions in certain high duties to about a 20 percent level;

(*c*) Establishing duties of more than 25 percent for sulfa drugs and of 30 percent for dyes and pigments, duties which in many cases will be nominally at higher rates than at the end of the implementation of the Kennedy Round.

2. Convert duties now based on ASP to normal bases of valuation.

The agreement requires the European Community to:

1. Reduce its chemical duties by an average of 26 percent. This reduction consists of:

(*a*) Reduction in tariffs on all chemicals by 30 percent except those for which only partial or no reductions were made in the Kennedy Round.

2. Modify its road tax system to eliminate discrimination against American automobiles.

The agreement requires the United Kingdom to:

1. Reduce its chemical duties by an average of 22 percent. This reduction consists of:

(*a*) Binding its previously unbound duties on plastics at a low level;

(*b*) Reduce by a further 30 percent duties on chemical products which it cut by only 20 percent in the Kennedy Round;

(*c*) Further reduce by varying percentages all duties on chemicals which are 25 percent or higher to bring them to a level of 12.5 percent.

2. Reduce the preferential tariff margin on its tobacco imports from us.

Finally, Switzerland, which made a 49 percent reduction in its chemical duties in the Kennedy Round, agreed if ASP is eliminated to modify its regulations on canned fruit imports. In addition, Sweden, Austria, Norway, Denmark, and Finland—none of which are parties to the agreement—are bound by the Kennedy Round agreement to make substantial additional reductions in chemical tariffs when the agreement before you is implemented.

THE AGREEMENT SUMMARIZED

The trade significance of all of these commitments is not easily summarized. Perhaps the best way to begin, though I do not intend to dwell long on mere numbers, is with the statistical summary in terms of the amounts of trade involved in the tariff reductions. Our concessions involve $330 million of our imports in 1964—the base year used in negotiating this agreement--from the participants in the agreement, and $440 million of our imports from all sources. Both figures, by the way, are our actual trade adjusted to a c.i.f. basis as is the customary practice in our trade negotiations. In return, we will be obtaining concessions upon $890 million of our exports from them.

I cannot, unfortunately, update these 1964-based calculations which were the basis of the agreement. However, it seems quite reasonable to assume that the greater absolute dollar volume of increases in our exports than in our imports since then and the accompanying growth of our trade surplus would indicate overall that the benefits to be gained now are as great, if not greater than as calculated on the basis of our 1964 trade pattern.

In my judgment, the qualitative factors in the agreement before you outweigh any statistical measurement. They could be summarized as follows:

1. The United States gained important concessions and in only very few instances agreed that duties would not be reduced in the areas which are significant for our future trade. The basket rates, where the products of our industry's massive research and development effort will largely be classified for duty purposes in the future, will be substantially reduced. In so dynamic an industry as this, where half of today's sales are in products not known 10 years ago and where few can predict the nature of tomorrow's products, the tariff rates on the basket categories of a chemical tariff schedule are of major importance.

2. Foreign tariffs on other rapidly growing U.S. chemical exports will also be drastically reduced. The concessions involved are particularly significant, for example, in plastics. U.K. and Community tariffs in this key area will almost all be 10 percent or less when the agreement is implemented. In 1964, U.S. plastics exports to the U.K. and the Community alone were $145 million.

3. The United Kingdom will also make very substantial reductions on rates on organic chemicals. U.S. exports in 1964 in this category were $50 million, largely at rates of 33⅓ percent. The additional reductions necessary to insure that no rate remains above 12.5 percent will be made. Reductions from the 33⅓ level will average 62 percent.

4. Chemical tariffs in major U.S. export markets will uniformly be reduced to extremely low levels and should provide a very considerable opportunity for increased export sales, certainly, for greater profits in exporting at current levels. With relatively few exceptions, there will be no Community or U.K. rate above 12.5 percent and most Community rates will be well below this level. Most Japanese duties will be below 15 percent, the principal exceptions being cosmetics and films, which happen to fall in the Japanese chemical tariff schedule. The highest Canadian rate will be 17.5 percent and the bulk of Canadian duties will be substantially lower. U.S. duties in potentially sensitive areas, however, will remain substantially above comparative rates in other countries.

5. For example, dyestuff tariffs in the EC will be 10 percent, and in the U.K., 15 percent, compared to the proposed U.S. rate of 30 percent. This should benefit the U.S. dye industry, even now a significant exporter.

6. The agreement provides protection for U.S. producers in the significant basket categories. Only one was reduced by approximately 50 percent—the intermediates basket where it was considered the industry would not be adversely affected.

7. Where it is proposed that U.S. rates would be reduced to a level of approximately 20 percent, the recommended rates, in fact, will provide a floor for tariff protection, not as has been alleged, a ceiling. The rates were derived from average duties obtained in 1964 trade. Any further imports at low unit values will be provided with effective protection at higher levels through the continuation of the specific duties in the U.S. tariff schedule.

OTHER ASPECTS OF THE AGREEMENT

I should also point out that even after this agreement is implemented, many U.S. chemical tariffs will still remain exceedingly high. I have already noted some specific instances. In other cases, the same result will be achieved by the continuation of our specific duties where they apply to products which sell at low unit values. This type of duty has the effect in some cases of producing fairly astronomical effective tariffs, a characteristic of our overall tariff schedule which frequently provides relatively greater protection for lower priced commodities.

I should also comment on a further aspect of the proposed reductions in U.S. duties. In certain cases, additional reductions are proposed in the agreement where no potential exists for serious injury. This results from the fact that in the negotiation of this agreement when other countries proposed significant reductions in their own, often much lower rates, they strongly objected that a proportional duty by the U.S., in turn, would not in such instances be fully reciprocal since it would leave certain of our duties still with very high rates. The reductions proposed for this reason should bring no adverse effects; they often involve an additional reduction of only a few percentage points. Most of them, in fact, involve products in which we are net exporters, or in which little trade exists. They include some intermediates, usually large volume items with little or no imports, some pesticides, a few photographic chemicals, some drugs, and some perfumes and flavorings.

THE ECONOMIC EFFECTS

I will not dwell long on the complicated analysis nor the many facts and judgments which together constitute the case that this agreement will not adversely affect American firms and workers, but will, instead, if the opportunities it provides are aggressively pursued lead to an expansion of our production sales, jobs, and profits. The record of your 1968 hearings contains the basic arguments in considerable detail and, as I said earlier, the situation in this industry has not deteriorated since then. If anything, it appears to have improved. Secondly, these judgments were carefully arrived at virtually on a case-by-case basis, through an examination of all of the available facts and evidence in each proposed concession on both sides, and as a result of one of the most comprehensive series of studies undertaken in the field of trade policy. They can be reviewed in detail with the Committee in the areas or products of most interest to it. I should note, however, that they frequently come down to matters concerning individual products and companies, particularly the smaller firms, and involve data from confidential sources which cannot be revealed in public hearings.

I do want, however, to make one very fundamental point. As I read the record of opposition to the elimination of ASP submitted at your earlier hearings, a very curious theme was given great stress, the logic of which as a former businessman escapes me. Time and time again, in a variety of formulations with varying amounts of supporting facts, you were told that reductions in U.S. duties and/or the elimination of ASP would depress our domestic price levels and lead to injurious consequences. In virtually the same breath, you were also told that reductions in return by other countries on the duties on products we export to them now or in the future would be worthless.

Trying to break this logic down, there seem to be several things which ought to be pointed out. As far as the domestic impact is concerned such statements assume that the full measure of the tariff reduction or the more elusive measure of the effects of eliminating ASP will be promptly reflected in consumer prices here, while, abroad, there will be no reflection of the tariff reductions—and we are talking in this agreement of 30 percent and greater reductions.

It is suggested that prices will decline here, though apparently there will be no offsetting increases in total sales as a result. Overseas, on the other hand, prices will be unaffected and our sales unchanged. There would seem from the record, to be no recognition that even under these circumstaces, at the very least our profit margins on existing export business will increase in step with the amount of duty saved. As a businessman, I find it hard to understand both why changes in tariffs should have effects different from changes in the other elements of costs or, secondly, why changes in tariffs should have such disparately different effects here and abroad. I can only conclude, on the one hand, that there must be the further assumption in these conclusions that export opportunities will not be sought after. Further, it would seem that a segment of an industry long receiving extraordinary protection from foreign competition in this market, but with an enviable record of ability to compete both at home and in exporting as well, has concluded that it prefers to protect its home market, regardless of the consequences.

This, in blunt terms, is the issue involved in the elimination of ASP. Those who have enjoyed its special favors for half a century are perhaps understandably loath to relinquish such effective insulation from the forces of competition, even though what I consider to be an adequate effort has been made to provide them with satisfactory and reciprocal benefits in return. The question the bill before you poses must, however, be decided on the broader grounds of whether this agreement—both for its immediate benefits and for its longer range significance—is in our national interest.

The facts indicate to this Administration that the elimination of ASP will not have any significant adverse impact upon the benzenoid segment of the industry but that the new rates proposed in H.R. 14870 and those which other countries will put into effect, if it is passed, will enable those producers and workers engaged in benzenoid production to continue to expand their sales, including their exports. Moreover, there will be substantial new export opportunities for other products, both chemicals and nonchemicals.

Finally, I must urge the Congress to give careful weight to the broader significance of this issue. I would mislead you if I pretended to guarantee that the elimination of ASP will literally unlock the door to future progress in the removal of other nontariff barriers to trade. Yet, on the other hand, I cannot stress too strongly to you that the system and the level of protection ASP provides has become the leading symbol to others of unnecessary, indefensible American protection.

As such, its continuation will, in a very real sense, impede our future efforts to engage in trade negotiations, while its elimination would be unequivocal evidence of our determination to move ahead. The issue is whether we are willing to remove one of our most restrictive barriers, not unilaterally or for future promises, but in return for new trade opportunities while still providing substantial and adequate protection for one of our domestic industries. I urge the Congress to weigh this consideration and to approve the elimination of the American selling price system of valuation.

RUBBER SOLED FOOTWEAR WITH FABRIC UPPERS

In addition to benzenoid chemicals, the bill before you authorizes the President to eliminate the application of ASP to rubber soled footwear with fabric uppers, canned clams, and certain wool knit gloves.

Unlike benzenoid chemicals, the elimination of ASP for rubber soled footwear was not the subject of any agreement during the Kennedy Round. Nor did ASP first become applicable to such footwear by statute but rather by Presidential Proclamation in 1933. The action proposed with regard to rubber footwear is also a reflection of a very different economic position which obtains for that industry from the one presented by the chemical industry. A consequent final difference between the two is that no reduction is proposed in the converted rate that was developed by the Tariff Commission.

On the basis of 1965 data the Tariff Commission then determined that the ASP rate was equivalent to a converted rate of 58 percent based on export value. The Tariff Commission also proposed that noncompetitive footwear be subject to a rate of 20 percent.

Since the introduction of H.R. 14870, several things have occurred which may require amendment of the proposals in section 401 of the bill, including:

1. A Bureau of Customs ruling which became effective May 7, 1970, now makes it desirable to remove any reference to "iron filings" from the tariff description to which the bill refers.

2. The accuracy of import data on rubber footwear has recently been questioned. The Tariff Commission has been examining these data and we understand that it will be advising the Committee of

its findings. This reexamination may make it necessary to reconsider the rate of 25 cents per pair plus 20 percent, but not less than 58 percent, which is proposed in the bill.

In view of these factors, I do not believe it useful to pursue the subject further until the Tariff Commission report is available. However, I would emphasize that for the reasons stated in my earlier discussion of benzenoid chemicals, this system of valuation should be eliminated on a fair and equitable basis for any products subject to it.

CANNED CLAMS AND WOOL KNIT GLOVES

Finally, the bill proposes elimination of ASP as it also applies to canned baby clams and a low-priced bracket of wool knit gloves. Both were made subject to ASP as a result of Tariff Commission investigations under section 336 of the Tariff Act of 1930. There appears to be no likelihood of adverse consequences from the elimination of ASP with respect to canned clams. On the other hand, the price bracket of gloves is obsolete and no imports have been recorded since the 1930s. The National Association of Glove Manufacturers recommended that ASP be eliminated. Finally, Japan has agreed to a one-third reduction in its duty on abrasive paper if ASP is eliminated with regard to these two products.

Thank you, Mr. Chairman.

TABLE 1.—CHEMICALS AND ALLIED PRODUCTS—U.S. SHIPMENTS, EXPORTS, IMPORTS, AND APPARENT CONSUMPTION 1962–69

[Dollars in millions]

	Shipments	Exports	Imports: Total	Imports: Free	Imports: Dutiable	Apparent consumption	Percent imports of apparent consumption
1962	$29,273	$1,877	$758	$500	$258	$28,154	2.7
1963	31,778	2,009	700	427	273	30,469	2.3
1964	34,261	2,364	703	366	337	32,600	2.2
1965	37,477	2,402	769	361	408	35,844	2.1
1966	40,797	2,675	955	411	544	39.077	2.4
1967	42,347	2,802	958	420	538	40,503	2.4
1968	46,465	3,287	1,129	482	644	44,407	2.5
1969	48,698	3,383	1,232	513	718	46,547	2.6

Source: Department of Commerce.

TABLE 2.—BENZENOID CHEMICALS—SHIPMENTS, ESTIMATED EXPORTS, IMPORTS BY COMPETITIVE STATES AND APPARENT CONSUMPTION, 1962-68

[Dollars in millions]

	Shipments	Exports[2]	Imports[1] Total	Imports[1] Competitive	Imports[1] Other	Apparent consumption	Percent total imports of consumption
1962	$2,564	(3)	$39	$18	$21	(3)	(3)
1963	2,729	(3)	44	21	23	(3)	(3)
1964	2,950	(3)	49	23	26	(3)	(3)
1965	[4] 3,190	$495	65	31	34	$2,760	2.4
1966	3,608	548	88	46	42	3,148	2.8
1967	3,913	620	83	43	40	3,376	2.5
1968	4,266	734	107	53	54	3,639	2.9

[1] Import data prior to 1965 are understated because of a change in the method of reporting.
[2] Estimated.
[3] Not available.
[4] Shipment data prior to 1965, not strictly comparable with later data due to the exclusion of finished medicinal preparations after that year.

Source: Department of Commerce; Tariff Commission.

TABLE 3.—INTERMEDIATES PRODUCTION, SALES, EXPORTS, IMPORTS BY COMPETITIVE STATUS, AND APPARENT CONSUMPTION, 1962-69

	Production	Sales	Exports	Imports[1] Total	Imports[1] Competitive	Imports[1] Other	Apparent consumption	Percent total imports of consumption
[In millions of pounds]								
1962	12,109	4,675	576	20	15	5	11,553	0.2
1963	13,576	5,555	725	28	22	6	12,879	.2
1964	15,832	6,562	1,332	19	16	3	14,579	.1
1965	17,601	7,505	1,797	38	34	4	15,842	.2
1966	20,113	8,722	1,702	69	57	12	18,480	.4
1967	20,871	9,169	2,091	72	51	21	18,852	.4
1968	23,943	10,394	2,545	71	54	17	21,469	.3
1969 [1]	27,486	11,933	3,651	91	(2)	(2)	24,926	.4
[Dollars in millions]								
1962		$795	$90	$13	$8	$5	$718	1.8
1963		834	98	15	9	6	751	2.0
1964		920	140	14	9	5	794	1.8
1965		1,008	159	19	14	5	868	2.2
1966		1,122	164	31	22	9	989	3.1
1967		1,185	179	28	19	9	1,034	2.7
1968		1,288	226	39	27	11	1,101	3.5
1969 [3]		1,478	233	49	(2)	(2)	1,294	3.8

[1] Import data prior to 1965 are understated because of a change in the method of reporting.
[2] Not available.
[3] Estimated.

Source: U.S. Department of Commerce; Tariff Commission.

TABLE 4.—DYES AND AZOICS—PRODUCTION, SALES, EXPORTS, IMPORTS BY COMPETITIVE STATUS, AND APPARENT CONSUMPTION, 1962-68

	Production	Sales	Exports	Imports[1] Total	Imports[1] Competitive	Imports[1] Other	Apparent consumption	Percent total imports of consumption
[In millions of pounds]								
1962	188.9	178.0	11.3	6.5	3.1	3.5	184.1	3.5
1963	204.0	187.0	12.9	8.9	5.0	3.9	200.0	4.5
1964	184.4	178.3	14.2	10.1	5.6	4.5	180.3	5.6
1965	207.2	190.0	18.7	12.3	6.1	6.2	200.8	6.1
1966	219.2	204.1	17.3	13.7	6.2	7.5	215.6	6.4
1967	206.2	198.6	13.8	12.8	6.4	6.4	205.2	6.2
1968	226.5	214.7	15.9	19.1	9.4	9.7	229.7	8.3
[Dollars in millions]								
1962		$227.2	$20.9	$12.9	$4.3	$8.1	$218.7	5.7
1963		239.7	23.7	12.7	4.4	8.3	228.7	5.5
1964		264.0	26.6	16.3	5.3	11.0	253.7	6.4
1965		292.3	23.4	20.5	5.9	14.6	289.4	7.1
1966		331.5	25.4	25.8	8.2	17.6	331.9	7.8
1967		332.0	21.9	23.4	7.9	15.5	333.5	7.0
1968		370.2	22.9	33.7	11.0	22.7	381.0	8.8

[1] Import data prior to 1965 are understated because of a change in the method of reporting.

Source: U.S. Department of Commerce; Tariff Commission.

TABLE 5.—PIGMENTS—U.S. PRODUCTION, SALES, EXPORTS, IMPORTS BY COMPETITIVE STATUS, AND APPARENT CONSUMPTION, 1962-68

	Production	Sales	Exports	Imports[1] Total	Imports[1] Competitive	Imports[1] Other	Apparent consumption	Percent total imports of consumption
[In millions of pounds]								
1962	37.2	31.6	2.5	0.4	0.1	0.3	35.1	1.1
1963	39.4	33.5	2.5	.4	.2	.2	37.3	1.1
1964	44.1	35.1	2.8	.7	.3	.4	42.0	1.7
1965	48.1	38.0	4.1	.8	.2	.6	44.8	1.8
1966	51.1	43.3	4.7	1.0	.2	.8	46.5	2.2
1967	53.3	42.9	5.6	1.5	.4	1.1	49.2	3.0
1968	53.7	45.8	7.3	2.0	.5	1.5	48.4	4.1
[Dollars in millions]								
1962		$74.3	$5.7	$1.1	$0.4	$0.7	$69.7	1.5
1963		79.6	5.9	.6	.2	.4	74.3	.8
1964		84.1	6.7	1.1	.2	.9	78.6	1.4
1965		93.6	8.0	1.5	.3	1.2	87.2	1.7
1966		107.6	9.3	1.7	.4	1.5	100.0	1.7
1967		108.4	10.0	2.9	.7	2.2	101.3	2.9
1968		119.9	13.0	4.3	.7	3.6	111.2	3.9

[1] Import data prior to 1965 understated because of a change in the reporting method.

Source: U.S. Department of Commerce; Tariff Commission.

TABLE 6.—MEDICINALS—PRODUCTION, SALES, EXPORTS, IMPORTS BY COMPETITIVE STATUS AND APPARENT CONSUMPTION, 1962-68

	Production	Sales	Exports [1]	Imports [2] Total	Imports [2] Competitive	Imports [2] Other	Apparent consumption	Percent imports apparent consumption
	[In millions of pounds]							
1962	72.7	[1] 56.6	----------	3.0	2.5	0.5	----------	----------
1963	78.0	[1] 61.4	----------	3.0	2.5	.5	----------	----------
1964	79.6	63.1	----------	3.1	2.7	.4	----------	----------
1965	84.7	[3] 61.0	----------	3.4	2.8	.6	----------	----------
1966	97.9	63.7	----------	4.7	3.9	.8	----------	----------
1967	91.7	58.3	----------	4.6	3.6	1.0	----------	----------
1968	95.4	64.9	----------	4.1	3.3	0.8	----------	----------
	[Dollars in millions]							
1962		[1] $242.0	$75.0	$8.8	$3.0	$5.8	$175.8	5.0
1963		[1] 271.2	70.0	10.1	3.5	6.6	211.3	4.8
1964		281.6	72.6	9.8	3.0	6.8	218.8	4.5
1965		[3] 224.2	91.6	12.6	3.4	9.2	145.2	8.7
1966		269.8	81.3	10.9	4.1	6.8	199.4	5.5
1967		263.7	93.2	11.9	5.4	6.5	182.4	6.5
1968		296.3	107.4	11.7	4.8	6.9	200.6	5.8

[1] Estimated.
[2] Import data prior to 1965 are understated because of a change in the method of reporting.
[3] Sales data prior to 1965 not strictly comparable with later data due to the exclusion of finished benzenoid medicinal preparations after that year.

Source: Exports, U.S. Department of Commerce; all other, U.S. Tariff Commission.

TABLE 7.—OTHER BENZENOID PRODUCTS [1]—U.S. SHIPMENTS, EXPORTS, IMPORTS, AND APPARENT CONSUMPTION, 1962-68

[Dollars in millions]

	Shipments [2]	Exports [2]	Imports [3] Total	Imports [3] Competitive	Imports [3] Other	Apparent consumption	Percent total imports of consumption
1962	$1,226	(4)	$4.0	$2.9	$1.1	(4)	(4)
1963	1,305	(4)	4.9	3.8	1.1	(4)	(4)
1964	1,400	(4)	7.5	5.0	2.5	(4)	(4)
1965	1,572	213	10.9	7.2	3.7	$1,370	0.8
1966	1,777	268	18.4	11.9	6.5	1,527	1.2
1967	2,024	316	16.1	10.3	5.8	1,724	.9
1968	2,192	365	18.7	8.9	9.8	1,846	1.0

[1] Includes all benzenoid products subject to ASP except dyes, azoics, pigments, medicinals, and intermediates.
[2] Estimated.
[3] Import data prior to 1965 are not strictly comparable with data after that date due to a change in the method of reporting.
[4] Not available.

Source: Tariff Commission; Department of Commerce.

TABLE 8.—COMPARISON OF U.S. AND EEC TARIFF RATES FOR LARGE-VOLUME BENZENOID INTERMEDIATES

TSUS No.	Intermediate	Pre-KR statutory rate	ASP package rate	Representative unit value (cents per pound)	Ad valorem equivalent ASP package rate (percent)	EEC tariff rate under ASP agreement (percent)
403.08	Phthalic anhydride	2.4 cents per pound plus 14 percent ad valorem	1.2 cents per pound plus 7 percent ad valorem	$0.09	20.3	9.0
403.10	Styrene	2.8 cents per pound plus 18 percent ad valorem	1.4 cents per pound plus 8 percent ad valorem	.08	25.5	4.0
403.40	Phenol	3.0 cents per pound plus 17 percent ad valorem	1.5 cents per pound plus 12 percent ad valorem	.10	27.0	2.0
403.60	Ethylbenzene	3.5 cents per pound plus 25 percent ad valorem	1.5 cents per pound plus 18 percent ad valorem	.04	55.5	4.0
403.60	Monochlorobenzene	do	do	.06	43.0	9.0
403.60	Dodecylbenzene	do	do	.10	33.0	6.5
403.60	Nitrobenzene	do	do	.09	34.7	8.0
403.60	Dimethylterephthalate	do	do	.21	25.1	7.0
403.60	Aniline	do	do	.12	30.5	8.0
403.75	Hexamethyleneadipimide	3.0 cents per pound plus 20 percent ad valorem	1.5 cents per pound plus 15 percent ad valorem	.30	20.0	9.0
403.80	1,6-Hexanediamine	3.5 cents per pound plus 25 percent ad valorem	1.5 cents per pound plus 16 percent ad valorem	.54	19.0	8.0
403.80	Adipic acid	do	do	.22	23.1	8.5
403.80	Cyclohexane	do	do	.04	53.5	0

Source: Supplementary agreement relating principally to chemicals.

TABLE 9.—U.S. CHEMICAL EXPORTS, IMPORTS, AND TRADE BALANCE BY PRINCIPAL DESTINATION AND SOURCE, 1961-69

[In millions of dollars]

SITC section	Imports from—					Exports to—					Balance				
	World	EEC	EFTA	Canada	Japan	World	EEC	EFTA	Canada	Japan	World	EEC	EFTA	Canada	Japan
5—All chemicals:															
1961	732	135	68	323	20	1,789	405	171	281	152	+1,057	+270	+103	−42	+132
1962	766	146	78	300	24	1,876	410	183	289	130	+1,110	+264	+105	−11	+106
1963	714	159	82	241	33	2,009	412	203	301	157	+1,295	+253	+121	+60	+124
1964	707	183	95	192	38	2,364	540	255	334	193	+1,657	+357	+160	+142	+155
1965	778	199	106	221	45	2,402	555	265	382	148	+1,624	+356	+159	+161	+103
1966	942	263	139	253	69	2,676	596	272	411	181	+1,734	+333	+133	+158	+112
1967	963	261	127	270	70	2,803	593	266	421	227	+1,840	+332	+139	+151	+157
1968	1,135	331	163	292	91	3,289	754	343	462	247	+2,154	+423	+180	+170	+156
1969[1]	1,232	331	186	310	121	3,383	828	324	510	304	+2,151	+497	+138	+200	+183
512—Organic chemicals:															
1961	58	24	9	10	3	379	132	39	55	38	+321	+108	+30	+45	+35
1962	73	37	13	10	5	403	139	42	54	34	+330	+102	+29	+44	+29
1963	94	41	21	14	10	481	173	48	58	52	+387	+132	+27	+44	+42
1964	127	49	29	24	12	425	196	38	44	52	+298	+147	+9	+20	+40
1965	161	64	33	32	17	669	237	68	81	41	+508	+173	+35	+49	+24
1966	220	87	45	31	31	691	219	66	82	49	+471	+132	+21	+51	+18
1967	219	87	34	38	29	748	217	72	85	65	+529	+130	+38	+47	+36
1968	281	123	50	42	40	850	266	85	95	54	+569	+143	+35	+53	+14
1969[1]	314	126	63	42	57	905	315	81	101	67	+591	+189	+18	+59	+10
513, 514, 515—Inorganic chemicals:															
1961	403	24	14	243	9	223	48	24	45	13	−180	+24	+10	−198	+4
1962	496	29	14	209	10	221	47	26	44	10	−275	+18	+12	−165	0
1963	307	150	27	12	12	269	72	29	50	17	−38	−78	+2	+38	+5
1964	254	29	8	88	13	219	44	31	43	9	−35	+15	+23	−5	−4
1965	219	29	11	77	14	300	75	37	64	12	+81	+46	+26	−13	−2
1966	247	43	17	79	18	330	92	34	72	15	+83	+49	+17	−7	−3
1967	232	41	12	65	14	350	78	29	72	18	+118	+37	+17	+7	+4
1968	269	43	16	75	16	392	70	59	74	24	+123	+27	+43	−1	+8
1969[1]	331	43	19	99	22	373	96	38	97	62	+42	+53	+19	−2	+40
531—Synthetic dyestuffs:															
1961	15	6	10	—	—	25	5	2	7	3	+10	−1	−8	+7	+3
1962	17	6	11	—	—	27	5	3	9	2	+10	−1	−8	+9	+2
1963	18	7	11	—	—	30	4	3	10	2	+12	−3	−8	+10	+2
1964	22	8	13	—	—	33	5	5	11	2	+11	−3	−8	+11	+2
1965	27	10	16	—	—	31	5	5	11	2	+4	−5	−11	+11	+2
1966	35	15	20	—	—	35	5	5	13	2	0	−10	−15	+13	+2
1967	37	19	17	—	—	32	5	3	11	2	−5	−14	−14	+11	+2
1968	53	26	24	—	2	35	7	4	12	2	−18	−19	−20	+12	0
1969[1]	65	32	28	1	3	33	5	3	11	2	−32	−27	−25	+10	−1

532—Dye tanning extracts:															
1961	10	2	—	—	—	2	—	—	1	—	−8	−2	—	+1	—
1962	9	2	—	—	—	3	—	—	1	—	−6	−2	—	+1	—
1963	8	1	—	1	—	3	—	—	1	—	−5	−1	—	0	—
1964	10	1	1	1	—	3	—	—	1	—	−7	−1	−1	0	—
1965	11	1	1	1	—	2	—	—	1	—	9	−1	−1	0	—
1966	12	2	1	1	—	3	—	—	1	—	−9	−2	−1	0	—
1967	10	2	1	1	—	3	—	—	1	—	−7	−2	−1	0	—
1968	10	2	1	—	—	3	—	—	1	—	−2	−2	−1	+1	—
1969 [1]	9	1	—	1	—	3	—	—	1	—	−6	−1	—	0	—
533—Pigments:															
1961	4	1	2	—	—	48	6	4	11	3	+44	+5	+2	+11	+3
1962	5	1	3	—	—	49	6	4	12	3	+44	+5	+1	+12	+2
1963	5	2	2	—	—	47	6	3	11	3	+42	+4	+1	+11	+3
1964	5	2	2	—	—	55	7	4	12	4	+50	+5	+2	+12	+4
1965	5	1	2	1	—	60	14	4	17	4	+55	+13	+2	+16	+4
1966	5	2	2	1	—	68	9	6	18	5	+63	+7	+4	+17	+5
1967	6	2	2	1	1	74	11	6	19	7	+68	+9	+4	+18	+6
1968	8	3	3	2	1	86	17	7	19	9	+78	+14	+4	+17	+8
1969 [1]	9	2	4	1	1	85	15	7	19	9	+76	+13	+3	+18	+8
541—Pharmaceuticals:															
1961	51	20	17	1	3	234	31	12	21	66	+183	+11	−5	+20	+63
1962	54	18	20	1	4	240	32	15	24	6	+186	+14	−5	+23	+2
1963	48	16	16	1	5	238	30	19	14	8	+190	+14	+3	+13	+3
1964	42	15	11	1	4	235	34	15	12	12	+193	+19	+4	+11	+8
1965	57	16	13	1	3	256	40	20	22	11	+199	+24	+7	+21	+8
1966	73	23	14	2	4	269	43	19	25	15	+196	+20	+5	+23	+11
1967	72	19	14	2	4	288	50	20	25	16	+216	+31	+6	+23	+12
1968	76	23	17	2	4	314	56	26	27	22	+238	+33	+9	+25	+18
1969 [1]	83	24	19	3	5	363	62	33	32	30	+280	+28	+14	+29	+25
561—Fertilizers:															
1961	81	15	4	60	1	79	1	—	12	15	−2	−14	−4	−48	+14
1962	88	16	3	65	1	93	5	1	9	13	+11	−11	−2	−56	+12
1963	90	16	3	63	1	92	4	—	8	11	+2	−12	−3	−55	+10
1964	105	21	3	65	—	131	9	1	11	12	+32	−12	−2	−54	+12
1965	124	12	3	90	—	153	5	1	13	—	+29	−7	−2	−77	+13
1966	131	12	4	107	—	221	3	1	13	12	+90	−9	−3	−94	+12
1967	142	11	4	116	4	231	9	1	15	15	+89	−2	−3	−101	+11
1968	142	7	3	121	1	268	13	1	14	15	+126	+6	−2	−107	+15
1969 [1]	137	5	3	120	1	218	15	2	12	12	+81	+10	−1	−108	+11
581—Plastic materials:															
1961	8	4	2	1	1	308	84	47	59	32	+300	+80	+45	+58	+31
1962	13	5	3	3	2	316	88	51	66	20	+303	+53	+48	+64	+18
1963	15	7	4	1	3	323	77	58	65	22	+308	+70	+54	+64	+19
1964	31	12	10	2	7	402	88	72	73	23	+371	+76	+62	+71	+16
1965	40	16	9	7	8	425	95	76	88	20	+385	+79	+67	+81	+12
1966	59	24	13	8	12	472	110	82	99	26	+413	+86	+69	+91	+14
1967	60	22	15	5	17	473	111	76	102	32	+413	+89	+61	+97	+15
1968	94	40	20	9	23	589	158	87	121	36	+495	+118	+67	+112	+13
1969 [1]	99	36	23	9	28	590	153	82	133	34	+491	+117	+59	+124	+6

See footnote at end of table.

SITC section	Imports from—					Exports to—					Balance				
	World	EEC	EFTA	Canada	Japan	World	EEC	EFTA	Canada	Japan	World	EEC	EFTA	Canada	Japan
599—Chemical products n.e.s.:															
1961	30	10	2	2	1	317	61	30	53	27	+287	+51	+28	+51	+26
1962	31	10	2	3	2	344	58	30	55	29	+313	+48	+28	+52	+27
1963	33	12	3	4	3	346	63	31	57	32	+313	+51	+28	+53	+29
1964	42	13	6	4	—	386	67	37	61	38	+343	+54	+31	+57	+38
1965	53	14	6	7	1	337	61	36	56	30	+284	+47	+30	+49	+29
1966	65	20	9	7	1	293	74	42	57	37	+328	+54	+33	+50	+36
1967	67	23	13	6	1	416	76	41	59	47	+349	+53	+28	+53	+46
1968	71	26	13	5	1	504	97	50	64	56	+433	+71	+37	+59	+55
1969 [1]	68	22	13	6	1	467	91	42	68	61	+399	+69	+29	+52	+60

[1] Preliminary.

Note: Dash (—) indicates less than $500,000.

Source: Department of Commerce.

TABLE 10.—BENZENOID CHEMICAL RATES OF DUTY, AD VALOREM EQUIVALENTS, AND 1964 IMPORTS

Item	Article	Rate on July 1, 1962	Kennedy round final rate [1]	ASP package final rate [2]	Ad valorem equivalent: Rate July 1, 1962	Ad valorem equivalent: KR rate	Ad valorem equivalent: ASP package rate	1964 imports (thousands)
	Cyclic organic chemical products in any physical form having a benzenoid, quinoid, or modified benzenoid structure, not provided for in subpart A or C, part 1, schedule 4:							
403.03	Anthrancene having a purity of 30% or more by weight.	2.8¢ per lb. +16% ad val	1.4¢+8%	1.4¢+10%	31	16	16	$206
403.04	Carbazole having a purity of 65% or more by weight	3.5¢ per lb. + 25% ad val	1.7¢+12.5%	1¢+18%	64	32	20	55
403.06	Naphthalene which after the removal of all water present has a solidifying point of 79° C. or above.	1.4¢ per lb. + 8% ad val	0.7¢ + 4%	0.7¢+4%	(3)	(3)	(3)	
403.08	Phthalic anhydride	2.4¢ per lb. + 14% ad val	1.2¢+7%	1.2¢+7%	(3)	(3)	(3)	
403.10	Styrene	2.8¢ per lb. + 18% ad val	1.4¢ + 9%	1.4¢+8%	(3)	(3)	(3)	
	All distillites of coal tar, blast-furnace tar, oil-gas tar, and water-gas tar, which on being subjected to distillation yield in the portion distilling below 190° C. a quantity of tar acids equal to or more than 50% by weight of the original distillate or which on being subjected to distillation yield in the portion distilling below 215° C. a quantity of tar acids equal to or more than 75% by weight of the original distillate:							
403.40	Phenol (carbolic acid) which on being subjected to distillation yields in the portion distilling below 190° C. a quantity of tar acids equal to or more than 5% by weight of the original distillate.	3.0¢ per lb. + 17% ad val	1.5¢+8.5%	1.5¢+12%	(3)	(3)	(3)	
403.42	Cresylic acid which on being subject to distillation yields in the portion distilling below 215°C. a quantity of tar acids equal to or more than 75% by weight of the original distillate.	1.75¢ per lb+10% ad val	0.8¢+5%	0.9¢+5%	23	11	12	2
403.44	Metacresol, orthocresol, paracresol, and metaparacresol, all the foregoing having a purity of 75% or more by weight.	1.75¢ per lb+10% ad val	0.8¢+5%	0.9¢+7%	19	9	9	67
403.46	Other	3.5¢ per lb+20% ad val	1.7¢+10%	1.7¢+10%	25	12	12	207
403.48 A	2,4-Dimethoxyaniline; N-Methylaniline; 2-Pyridinecarboxaldehyde; Sodium tetraphenylboron; and Vinylcarbazole, mono.	3.0¢ per lb+20% ad val	1.5¢+10%	1.5¢+10%	21	11	11	120

See footnotes at end of table.

TABLE 10.—BENZENOID CHEMICAL RATES OF DUTY, AD VALOREM EQUIVALENTS, AND 1964 IMPORTS—Continued

					Ad valorem equivalent			
Item	Article	Rate on July 1, 1962	Kennedy round final rate [1]	ASP package final rate [2]	Rate July 1, 1962	KR rate	ASP package rate	1964 imports (thousands)
403.48	o-Acetoacetanisidide; o-Acetoacetotoluidide; 2',4'-Acetoacetoxylidide; 3'-Aminoacetophenone; 1-Amino-5-benzamidoanthraquinone; o-Anisidine; p-Anisidine; 6-Chloro-m-cresol [CH=1]; 4-Chloro-2,5-dimethoxyaniline [NH_2=1]; 3-Ethylamino-p-cresol; Iminodianthraquinone; 5-Methoxy-m-phenylenediamine; dl-Phenylephrine base; Phenylsulfone; and 2,4,6-Trimethylaniline (mesidine).	3.0¢ per lb +20% ad val	1.5¢+10%	1.5¢+16%	35	18	18	479
403.48 C	2-Acetamido-3-chloroanthraquinone m-Diethylaminophenol; 1,8-Dihydroxy-4,5-dinitroanthraquinone (4,5-dinitrochrysazin).	3.0¢ per lb.+20% ad val	1.5¢+10%	1.5¢+19%	49	25	20	118
403.50 A	p-aminobenzoic acid; Biligrafin acid; 3,5-Diacetamido-2,4,6-triiodobenzoic acid (urografin acid); 2,3-Dichloro-1,4-naphthoquinone; Gentisic acid; 2-Hydroxy-3-dibenzofurancarboxylic acid; and o-Toluenesulfonamide.	2.8¢ per lb.+20% ad val	1.4¢+10%	1.4¢+10%	21	11	11	516
403.50 B	7-Amino-1,3-naphthalenedisulfonic acid and its salts; 8-Amino-1-naphthalenesulfonic acid and its salts; 6-Amino-1-naphthol-3-sulfonic acid and its salts; 8-Amino-1-naphthol-5-sulfonic acid and its salts; 4-Amino-2-stilbenesulfonic acid and its salts; m-Dimethylaminophenol; 1-Hydroxy-2-carbazolecarboxylic acid; Hydroxycinnamic acid and its salts; p-Phenetidine; o-Phenylenediamine; 2,4,4',5'-Tetrachlorophenylsulfone; and 2,4-Xylidine.	2.8¢ per lb.+20% ad val	1.4¢+10%	1.4¢+15%	34	17	17	422

403.60c	5-Amino-2-naphthalenesulfonic acid and its salts;	2.8¢ per lb. + 20% ad val..	1.4¢ + 10%....	1.4¢ + 15%....	51	25	20	363
	8-Amino-2-naphthalenesulfonic acid and its salts;							
	p-Hydroxybenzoic acid;							
	2-Naphthol-3,6-disulfonic acid and its salts;							
	7-Nitronaphth[1,2]oxadiazole-5-sulfonic acid and its salts;							
	p-Nitrotoluene;							
	m-Phenylenediamine;							
	M-Phyenyl-2-naphthylamine; and							
	Toluene-2,4-diamine.							
403.60A	p-Acetoacetophenetidide;							
	N-Acetoxyethyl-N-cyanoethylaniline;							
	0-Aminobenzenesulfonic acid (SO³—1];							
	2-Amino-4-tert-butylphenol;							
	4-Amino-6-chloro-m-benzenedisulfonamide;							
	2-Amino-4-(p-cumyl)phenol;							
	2-Amino-4-(2-hydroxyethyl)sulfonyl]phenol;							
	4-Amino-4′-hydroxy-2′-[(2-hydroxyethyl)sulfonyl) benzanilide;							
	2-Amino-5-methoxybenzenesulfonic acid;							
	2-Amino-5-nitrobenzonitrile;							
	4-Amino-4′-nitro-2,2′-stilbenedisulfonic acid;							
	m-Aminophenol;							
	o-Aminophenol;							
	p-[(p-Aminophenyl)azo]benzenesulfonic acid;							
	6-[(p-Aminophenyl)azo]metanilic acid;							
	Amino-1-pyrazolone;							
	4-Amino-3-sulfonphenyl gamma acid;							
	2-Amino-4-[(2,5,6-trichloro-4-pyrimidyl)amino] benzenesulfonic acid;							
	Benzyldiethyl (2,6-xylylcarbamoylmethyl) ammoniumbenzoate (Bitrex);							
	Carbazole-3-carboxylic acid and its salts;							
	4′-Chloroacetoacetanilide;							
	6-Chloro-3-amino-4-sulfobenzoic acid;							
	2-Chloro-4,6-dinitroaniline;							
	Chlorodiphenyl sulfone;							
	5-Chloro-8-quinolinol hydrochloride;							
	6-Chloro-o-toluidine;							
	6-Chloro-3,4-xylenol;							
	2,3-Cresotic acid;							
	2,4-Diaminoanisole sulfate;							
	4,4′-Diamino-1,1′-bianthraquinonyl-3,3′-disulfonic acid, disodium salt;							
	4,4′-Diamino-3-biphenylsulfonic acid;							
	Dibenzylamine;							
	4-(2,5-Dibutoxy-4-nitrophenyl)morpholine;							
	1,8-Dichloroanthraquinone;							

See footnotes at end of table.

O—70——7

TABLE 10.—BENZENOID CHEMICAL RATES OF DUTY, AD VALOREM EQUIVALENTS, AND 1964 IMPORTS—Continued

Item	Article	Rate on July 1, 1962	Kennedy round final rate[1]	ASP package final rate[2]	Ad valorem equivalent: Rate July 1, 1962	Ad valorem equivalent: KR rate	Ad valorem equivalent: ASP package rate	1964 imports (thousands)
	10,11-Dihydro-5H-dibenz[b,f]azepine;							
	3′-[(Dihydroxyethyl)amino]-4′-ethoxyacetanilide;							
	3,6-Dihydroxy-2,7-naphthalenedisulfonic acid and its salts;							
	1,4-Dimesidinoanthraquinone;							
	2′,4′-Dimethoxyacetoacetanilide;							
	2′,5′-Dimethoxyacetonacetanilide;							
	2′,5-Dimethoxysulfanilanilide;							
	N-Ethyl-2-aminobenzenesulfonanilide;							
	2-Hydroxyanthroic acid and its salts;							
	m-Hydroxybenzaldehyde;							
	2-Hydroxycarbazolecarboxylic acid;							
	3′-(Hydroxyethylamino)-4′-ethoxyacetanilide;							
	m-[(2-Hydroxyethyl)sulfonyl]aniline;							
	6-[(2-Hydroxyethyl)sulfonyl]-m-anisidine;							
	4-[(2-Hydroxyethyl)sulfonyl]-2,5-dimethoxyaniline;							
	4-[(2-Hydroxyethyl) sulfonyl]-5-methyl-o-anisidine;							
	4-[(2-Hydroxyethyl)sulfonyl]-3-methyl-1-phenyl-2-pyrazolin-5-one;							
	1-Hydroxy-6-(methylamino)naphthalenesulfonic acid;							
	4-Hydroxy-1-methylcarbostyril;							
	4-Hydroxy-2-napthalenesulfonic acid;							
	Isophthalonitrile;							
	Lysergic acid;							
	4-Methoxy-m-phenylenediamine;							
	2-Methyl-p-anisidine[NH_2=1];							
	Methylchlorophenoxybutyric acid and its salts;							
	2-(3-Methyl-5-oxo-2-pyrazolin-1-yl)naphthalene-5,7-disulfonic acid;							
	1-Methyl-2′,6′-pipecoloxylidide;							
	1,8-Naphthalenediamine;							
	1,5-Napthalene diisocyanate;							
	2,3-Naphthalenediol;							
	3-Nitro-p-phenetidine;							
	Phthalocyanine, crude, and its salts;							
	Phthalonitrile;							
	Polyalkylbenzene;							

	Pyrocatechol; 1,9-Thianthrenedicarboxylic acid; Toluene-2,5-diamine sulfate; p-Toluenesulfonic acid, methyl ester [$SO_3H=1$] (2,4,6-Trichlorophenyl)hydrazine; Tris[p-isocyanatophenyl]methane; 0,0,0-Tris[p-isocyanatophenyl]phosphorothioate; o-Vanillin; and m-Xylene-α,α'-diamine	3.5¢ per lb.+25% ad val.	1.7¢+12.5¢	1.5¢+13%	28	14	14	2,919
403.60B	Acetoacetanilide; 2-(p-Aminoanilino)-5-nitrobenzenesulfonic acid; 2-Amino-p-benzenedisulfonic acid; 1-Amino-4-bromo-2-anthraquinonesulfonic acid (Bromamine acid) and its salts; 2-Amino-4-chlorophenol; 6-Amino-4-chloro-m-toluenesulfonic acid ($SO_3H=1$]; 2-Amino-5-chloro-p-toluenesulfonic acid [$SO_3H=1$]; 4'-Amino-2',5'-Diethoxybenzanilide; 4-Amino-5-hydroxy-1,3-naphthalenedisulfonic acid (Chicago acid) and its salts; 4'-Amino-6'-methyl-m-benzanisidide (Fast Violet B Base); 6-Amino-2-naphthalenesulfonic acid (Groenner's acid); 2-(p-Aminophenyl)-6-methylbenzothiazole; 6-Amino-m-toluenesulfonic acid; 6-Anilino-1-hydroxy-3-naphthalenesulfonic acid (Phenyl J acid); Anthranilic acid (o-Aminobenzoic acid); Anthraquinone; Benzidine dihydrochloride; Benzoyl peroxide; [1,1'-Binaphthalene]-8,8'-dicarboxylic acid; p-Chloroaniline; 5-Chloro-o-anisidine[$NH_2=1$]; 1-Chloroanthraquinone; 2-Chloro-4-nitroaniline; 1-Chloro-2-nitrobenzene; 1-Chloro-4-nitrobenzene; α-Chlorotoluene; 4,4'-Diamino-2,2'-biphenyldisulfonic acid; 4,4'-Diamino-2,2'-stilbenedisulfonic acid; 3,4-Dichloroaniline; 4,5-Dihydroxy-2,7-naphthalenedisulfonic acid (Chromotropic acid); 2,5-Dimethoxyaniline; 2,2'-Dithiobis(benzothiazole);							

See footnotes at end of table.

TABLE 10.—BENZENOID CHEMICAL RATES OF DUTY, AD VALOREM EQUIVALENTS, AND 1964 IMPORTS—Continued

Item	Article	Rate on July 1, 1962	Kennedy round final rate [1]	ASP package final rate [2]	Ad valorem equivalent: Rate July 1, 1962	Ad valorem equivalent: KR rate	Ad valorem equivalent: ASP package rate	1964 imports (thousands)
	7-Hydroxy-1,3-naphthalenedisulfonic acid and its salts; 1,1'-Iminobis [4-aminoanthraquinone]; 7,7'-Iminobis [4-hydroxy-2-naphthalenesulfonic acid]; Metanilic acid; 3-Methyl-1-phenyl-2-pyrazolin-5-one; 2-Naphthol; 1-Naphthylamine; o-Nitroaniline; 4-Nitro-o-anisidine[NH_2=1]; p-Nitrobenzoic acid and its salts; o-Phenylphenol and its salts; Salicylic acid-technical grade and its salts; 1-(o-Tolyl)biguanide; p-Tolylmethylpyrazolone; and α,α,α-Trifluorotoluene,	3,5¢ per lb,+25% ad val...	1,7¢+12,5%...	1,5¢+18%.....	48	24	20	2,128
403.60C	3-Amino-5-chloro-2-hydroxybenzenesulfonic acid; 4-Amino-1-naphthalenesulfonic acid and its salts; 8-Amino-2-naphthol; p-Anilinobenzenediazonium sulfate; 2'-Chloroacetoacetanilide; o-Chloroaniline; 4-Chloro-2-nitroaniline; Dichlorodiphenylsilane; Dihydroxydiphenylsulfone; 2,4-Dinitroaniline; 2-Hydroxy-11H-benzo[a]carbazole-3-carboxylic acid and its salts; 6-Hydroxy-2-naphthalenesulfonic acid (Schaeffer's acid) and its salts; 1,5-Naphthalenedisulfonic acid; 2-Nitro-p-anisidine[NH_2=1]; 5-Nitro-o-toluidine[NH_2=1]; Phenylcarbethoxypyrazolone; 2,4-Quinolinediol and sodium salt; and p-Toluidine,	3.5¢ per lb. + 25% ad val..	1.7¢ + 12.5%..	1.5¢ + 18%....	59	30	20	23

403.60D	4'-Chloro-2',5'-dimethoxyacetoacetanilide; p-(Diethylamino)benzaldehyde; 1,5-Dihydroxy-4,8-dinitroanthraquinone; 4,4'-Dinitro-2,2'-stilbenedisulfonic acid; 5-Hydroxy-1-naphthalenesulfonic acid; 4,4'-Isopropylidenediphenol (Bisphenol A); p-(3-Methyl-5-oxo-2-pyrazolin-1-yl)benzenesulfonic acid; 1,5-Naphthalenediol; p-Toluenesulfonamide; 8-(p-Toluidino)-1-naphthalenesulfonic acid; and DL-Tryptophane.	3.5¢ per lb. + 25% ad val..	1.7¢ + 12.5%..	1.5¢ + 18%....	70	35	20	364
403.60 E	6-Amino-3, 4'-amodi [benzenesulfonic acid]; 1-Amino-2, 4'-dibromoanthraquinone; 2-Amino-5-nitrophenol; 4', 4'''-Azobis [4-biphenylcarboxylic acid] and its salts; 2, 5-Diaminobenzenesulforic acid; 4, 5'-Dibenzamido-1, 1'-imunodianthraquinone; and 8-Quinolinol	3.5¢ per lb. +25% ad val...	1.7¢+12.5%....	1.5¢ +18%....	81	40	19	157
403.60 F	1-Chloronaphthalene; 1, 1'-Iminobis [4-benzami doanthraquinone]; 2-Methylindole; and	3.5¢ per lb.+25% ad val...	1.7¢+12.5%....	1.5¢+18%......	115	57	19	41
	1, 3, 3-Trimethyl- $\Delta^{2,\alpha}$ indolineacetaldehyde							
403.60 G	Other	3.5¢ per lb.+25% ad val...	1.7¢+12.5%....	1.5¢+18%.....	39	20	19	4,364
	All other products, by whatever name known, not provided for in subpart A or C, part 1, schedule 4, including acyclic organic chemical products, which are obtained, derived, or manufactured in whole or in part from any of the cyclic products having a benzenoid, quinoid, or modified benzenoid structure provided for in the foregoing provisions of this subpart or in subpart A, part 1, schedule 4:							
403.70	Caprolactam monomer	3.0¢ per lb. + 20% ad val..	1.5¢ + 10%....	1.5¢ + 16%....	(4)	(4)	(4)	---
403.75	Hexamethylene adipamide	3.0¢ per lb. + 20% ad val.	1.5¢ + 10%....	1.5¢ + 15%....	36	18	19	1
403.78	Methylcyclohexanone	3.0¢ per lb. + 20% ad val...	1.5¢ + 10%....	1.5¢ + 10%....	29	15	15	1
403.80 A	Adipic acid; 6-Aminopenicillanic acid; 1,2-Cyclohexanediamine; Cyclohexylamine; 1,6-Hexanediamine; Methylcyclohexanol acetate; 4,4'-Methylenebis (cyclohexylamine); Thiophene-2,5-dicarboxylic acid	3.5¢ per lb. + 25% ad val...	1.7¢ + 12.5%..	1.5¢ + 16%....	36	18	19	1,916
403.80 B	Other	3.5¢ per lb. + 25% ad val...	1.7¢ + 12.5%..	1.5¢ + 18%....	51	25	22	506
403.90	Mixtures in whole or in part of any of the products provided for in subpart B, part 1, schedule 4.	3.5¢ per lb. + 25% ad val...	1.7¢ + 12.5%..	1.5¢ + 13% [4]..	34	17	17	95
	Products obtained, derived, or manufactured in whole or in part from any product provided for in subpart A or B, part 1, schedule 4:							

See footnotes at end of table.

TABLE 10.—BENZENOID CHEMICAL RATES OF DUTY, AD VALOREM EQUIVALENTS, AND 1964 IMPORTS—Continued

Item	Article	Rate on July 1, 1962	Kennedy round final rate [1]	ASP package final rate [2]	Ad valorem equivalent: Rate July 1, 1962	Ad valorem equivalent: KR rate	Ad valorem equivalent: ASP package rate	1964 imports (thousands)
405.05	Explosives	3.5¢ per lb. + 22.5% ad val.	{3.5¢ + 22.5% [3] {1.7¢ + 11% [6]	3.5¢ + 40% [4] 2¢ + 19% [6]	([3]) ([4]) [6] 41	([3]) ([4]) [6] 20	([3]) ([4]) [6] 19	 8
405.10	Ink powders	3.5¢ per lb. + 22.5% ad val.	1.7¢ + 11%	1.8¢ + 11%	([3])	([3])	([3])	....
	Pesticides:							
405.15A	p-Chloro-m-cresol (4-Chloro-m-cresol [OH=1]; 0,0-Diethyl 0-(p-nitrophenyl) phosphorothioate; 0,0-Dimethyl 0-(p-nitrophenyl) phosphorothioate; Lindane.	3.5¢ per lb. + 25% ad val.	1.7¢ + 12.5%	1.7¢ + 17%	49	24	20	238
405.15B	Other	3.5¢ per lb. + 25% ad val.	1.7¢ + 12.5%	1.7¢ + 13%	29	15	15	770
	Photographic chemicals:							
405.20A	Not over $2 per pound	6.0¢ per lb. + 38% ad val.	3¢ + 19%	2¢ + 14%	61	30	20	135
405.20B	Over $2 per pound	6.0¢ per lb. + 38% ad val.	3¢ + 19%	2¢ + 19%	53	27	19	61
405.25	Plastics materials	2.8¢ per lb. + 18% ad val.	1.4¢ + 9%	1.5¢ + 10%	25	12	12	3,284
405.30	Products chiefly used as assistants in preparing or finishing textiles.	2.8¢ per lb. + 16% ad val.	1.4¢ + 8%	1.5¢ + 8%	20	10	10	358
405.35	Products (except those in item 405.30) chiefly used for any one or combination of the following purposes; as detergents, wetting agents, emulsifiers, dispersants, or foaming agents.	3.5¢ per lb. + 25% ad val.	1.7¢ + 12.5%	1.5¢ + 8%	30	15	11	101
405.40	Products chiefly used as plasticizers	3.5¢ per lb. + 25% ad val.	1.7¢ + 12.5%	1.5¢ + 15%	49	24	20	66
405.45	Sodium benzoate	3.0¢ per lb. + 21% ad val.	1.5¢ + 10.5%	1.5¢ + 12%	54	27	20	7
405.55	Synthetic tanning materials	7.0¢ per lb. + 45% ad val.	3.5¢ + 22.5%	1.5¢ + 13%	91	46	19	56
	Colors, dyes, stains, and related products:							
406.02	Sulfur black, "Color Index Nos. 53185, 53190, and 53195".	3.0¢ per lb. + 20% ad val.	1.5¢ + 10%	30%	53	27	30	3
406.04	Vat blue 1 (synthetic indigo), "Colour Index No. 73000".	3.0¢ per lb. + 20% ad val.	1.5¢ + 10%	30%	44	22	30	297
406.101A	Acid black 31, 50, 129; Acid blue 54, 127, 129, 143; Acid brown 58, 188, 189; Acid green 40; Acid red 130, 145, 174; Acid violet 31, 41, 48; Acid yellow 2, 75, 116; Direct black 62, 91; Direct blue 92, 106, 108, 109, 160; Direct brown 103, 115, 116;	32% ad val.	16%	30%	34	17	30	2,239

	Direct green 5, 29, 31; Disperse blue 30; Fluorescent brightening agent 18, 24, 32; Mordant black 8; Mordant red 27; Reactive black 1; Reactive blue 1, 2, 4; Reactive orange 1; Reactive red 1, 2, 3, 5, 6; Reactive yellow 1; Vat blue 2; Vat red 44; Vat solubilized orange 3; Vat violet 9; and Vat yellow 4, 20.							
406.10	Acid blue 45, 106; Acid brown 44, 46, 48; Acid violet 19; Basic red 14; Direct blue 172; Direct red 83; Mordant red 17; and Solvent orange 11.	32% ad val.	16%	30%	46	23	30	214
406.10 C	Acid black 94; Acid red 211; Basic blue 3; Basic yellow 13; Direct blue 86; Ingrain blue 2; and Mordant green 47.	32% ad val.	16%	30%	57	29	30	464
406.10 D	Basic orange 22; and Vat orange 7.	32% ad val.	16%	30%	64	32	30	58
406.10 E	Basic red 13; Basic yellow 1, 1; Direct orange 37; Direct yellow 28; Disperse red 4; Vat violet 13.	32% ad val.	16%	30%	82	41	30	86
406.10 F	Solvent yellow 25; and Vat brown 3.	32% ad val.	16%	30%	98	49	30	14
406.50 A	Acid black 132; Acid blue 185, 221; Basic orange 28; Direct yellow 27; Disperse blue 73; Disperse red 54; Fluorescent brightening agent 121; Mordant blue 77;	40% ad val.	20%	30%	33	19	30	620

See footnotes at end of table.

TABLE 10. BENZENOID CHEMICAL RATES OF DUTY, AD VALOREM EQUIVALENTS, AND 1964 IMPORTS—Continued

Item	Article	Rate on July 1, 1962	Kennedy round final rate [1]	ASP package final rate [2]	Ad valorem equivalent: Rate July 1, 1962	Ad valorem equivalent: KR rate	Ad valorem equivalent: ASP package rate	1964 imports (thousands)
	Mordant brown 45;							
	Reactive black 4;							
	Reactive blue 19, 29;							
	Reactive yellow 11, 15;							
	Solubilized vat black 5;							
	Solubilized vat brown 6;							
	Solubilized vat violet 7; and							
	Vat blue 21.							
406.50 B	Acid black 62, 63, 67, 77, 131;	40% ad val.	20%	30%	42	21	30	5,044
	Acid blue 41, 52, 66, 72, 98, 181, 182, 183, 215;							
	Acid brown 30, 33, 147, 224, 227, 253;							
	Acid green 43, 44, 57;							
	Acid orange 47, 94;							
	Acid red 127, 252, 259;							
	Acid violet 21, 34;							
	Acid yellow 79, 127;							
	Basic blue 41, 45, 62;							
	Basic green 2;							
	Basic orange 27;							
	Basic red 22, 23, 29;							
	Basic yellow 19, 23, 24, 25, 32;							
	Direct black 118;							
	Direct blue 90, 158, 207, 225;							
	Direct green 67, 69;							
	Direct orange 107;							
	Direct red 89, 92, 95, 205;							
	Direct violet 62;							
	Direct yellow 58, 68, 96, 109;							
	Disperse blue 7, 79;							
	Disperse orange 30;							
	Disperse red 73, 105, 107, 106;							
	Fluorescent brightening agent 47, 55;							
	Mordant black 75;							
	Mordant green 45;							
	Reactive blue 5, 7, 8, 10, 21, 24;							
	Reactive brown 2, 5;							
	Reactive green 6;							
	Reactive red 9, 17, 40, 45;							

	Reactive yellow 10, 27; Solvent blue 45; Vat blue 26; and Vat green 13.							
406.50 C	Acid red 131, 143 Acid yellow 61; Direct blue 98; Direct green 51; Direct red 9; Direct yellow 27, 98; Disperse red 15; Mordant blue 29; Reactive red 12; Solvent orange 41; Vat green 1; and Vat yellow 33.	40% ad val	20%	30%	54	27	30	520
406.50 D	Acid black 29. Acid blue 9, 198; Acid green 25; Acid orange 87; Acid red 1, 249; Basic blue 54; Basic red 15; Basic violet 16; Direct brown 31; Direct orange 26; Disperse blue 65; Disperse brown 2; Disperse red 55; Disperse violet 8; Disperse yellow 5, 54; Reactive blue 18; Sulfur green 14; Vat green 9; and Vat red 1.	40% ad val	20%	30%	65	33	30	755
406.50 E	Acid blue 27, 62, 67, 78 Acid green 9, 28; Acid orange 80, 85; Acid red 52; Basic blue 5, 21, 22; Basic red 1; Basic violet 10; Basic yellow 15; Direct black 38; Disperse blue 1, 60; Disperse orange 5; Disperse red 59, 60; Reactive yellow 25; Solvent black 3; and Vat orange 9.	40% ad val	20%	30%	73	37	30	1,210

See footnotes at end of table.

TABLE 10.—BENZENOID CHEMICAL RATES OF DUTY, AD VALOREM EQUIVALENTS, AND 1964 IMPORTS—Continued

Item	Article	Rate on July 1, 1962	Kennedy Round final rate [1]	ASP package final rate [2]	Ad valorem equivalent: Rate July 1, 1962	Ad valorem equivalent: KR rate	Ad valorem equivalent: ASP package rate	1964 imports (thousands)
406.50F	Acid black 1, 24; Acid blue 83, 120; Acid red 114; Acid yellow 118; Basic orange 21; Basic red 27; Basic violet 1; Basic yellow 21; Direct blue 78, 199; Direct orange 102; Direct red 13; Direct yellow 4, 11, 50; Disperse red 5, 11; Mordant red 3; Solvent yellow 62; Vat black 9, 27; Vat blue 6; Vat green 3; Vat red 10; and Vat yellow 1, 2.	40% ad val.	20%	30%	83	42	30	539
406.50G	Acid blue 35, 90, 113 Acid green 18; Acid red 85, 99; Acid violet 17; Acid yellow 7; Basic blue 9, 26; Basic green 4; Basic red 18; Basic violet 2; Direct blue 6; Direct brown 1; Direct orange 34; Direct red 2, 79, 81; Disperse red 1, 13, 17; Disperse yellow 1, 3, 42, 64; Mordant black 11; Mordant yellow 30; Solubilized vat blue 6; Solubilized vat brown 1;	40% ad val.	20%	30%	98	49	30	311

	Solvent red 109; Solvent yellow 63; Vat blue 20; Vat brown 1; Vat green 20; and Vat orange 15.							
406.50H	Acid black 107, 140.. Acid blue 23; Acid orange 7, 74; Acid red 14, 73, 225; Acid yellow 63; Basic blue 44, 47; Basic green 1; Basic yellow 2; Direct black 41, 51; Direct blue 1, 2; Direct brown 2; Direct green 6; Direct red 76; Direct yellow 12; Mordant black 13, 17; Mordant blue 1; and Vat blue 14, 18, 29	40% ad val.	20%	30%	117	59	30	359
406.50 I	Acid brown 19; Acid red 133; Basic orange 14; Basic violet 14; Direct blue 120, 122; Direct red 23; Disperse blue 3; Solvent red 49, Vat orange 3; and Vat yellow 10	40% ad val.	20%	30%	172	86	30	43
406.50 J	Other.	40% ad val.	20%	30%	48	24	30	4,460
406.60	Natural alizarin and natural indigo; colors, dyes, and stains (except toners), whether soluble or not in water, obtained, derived, or manufactured in whole or in part from natural alizarin or natural indigo, color acids, color bases, indoxyl, indoxyl compounds, and leuco-compounds (whether colorless or not), obtained, derived, or manufactured in whole or in part from natural alizarin, natural indigo, or any product provided for in subpart A or B, part 1, schedule 4.	5.6¢ per lb.+30% ad val.	2.8¢+18%	30%	54	27	30	1
406.70	Color lakes and toners, obtained, derived, or manufactured in whole or in part from natural alizarin, natural indigo, or any product provided for in subpart A or B, part 1, schedule 4:							

See footnotes at end of table.

TABLE 10.—BENZENOID CHEMICAL RATES OF DUTY, AD VALOREM EQUIVALENTS, AND 1964 IMPORTS—Continued

Item	Article	Rate on July 1, 1962	Kennedy round final rate [1]	ASP package final rate [2]	Ad valorem equivalent: Rate July 1, 1962	Ad valorem equivalent: KR rate	Ad valorem equivalent: ASP package rate	1964 imports (thousands)
406.70 A	Pigment blue 1; Pigment blue 15; Pigment green 7, 10; Pigment orange 7; Pigment red 81; Pigment violet 23; and Pigment yellow 3, 12, 14, 83.	40% ad val	20%	30%	72	36	30	503
406.70 B	Pigment black 1; Pigment orange 5; Pigment red 2, 3, 48, 53; and Pigment yellow 1, 13, 49.	40% ad val	20%	30%	98	49	30	52
406.70 C	Other	40% ad val	20%	30%	43	22	30	558
406.80	Fast color bases, fast color salts, and Naphthol AS and its derivatives:							
406.80 A	A.S. 1 and D.S. 4 stabilized diazo salt; Azoic coupling component 32, 107, 108, 111; and Azoic diazo component 15, 16, 40, 51, 121 (bases and salts).	3.5 per lb.+20% ad val	1.7¢+10%	30%	22	11	30	229
406.80 B	Other	3.5¢ per lb.+20% ad val	1.7¢+10%	30%	42	21	30	1,047
	Products suitable for medicinal use, and drugs:							
	Obtained, derived, or manufactured in whole or in part from any product provided for in subpart A or B, part 1, schedule 4:							
	Products suitable for medicinal use:							
407.02	Acetanilide	3.5¢ per lb. + 25% ad val	1.7¢ + 12.5%	1.7¢ + 17%	46	23	20	1
407.04	Benzaldehyde	3.5¢ per lb. + 25% ad val	1.7¢ + 12.5%	1.7¢ + 19%	(3)	(3)	(3)	
407.06	Benzoic acid	3.5¢ per lb. + 25% ad val	1.7¢ + 12.5%	1.7¢ + 15%	(3)	(3)	(3)	
407.08	2-Naphthol (beta-naphthol)	3.5¢ per lb. + 25% ad val	1.7¢ + 12.5%	1.7¢ + 13%	(3)	(3)	(3)	
407.10	Resorcinol	3.5¢ per lb. + 25% ad val	1.7¢ + 12.5%	1.7¢ + 18%	46	23	19	4
407.12	Salicylic acid and its salts	3.5¢ per lb. + 25% ad val	1.7¢ + 12.5%	1.7¢ + 16%	60	30	20	32
	Drugs:							
407.20	Acetphenetidine (phenacein)	2.8¢ per lb. + 20% ad val	1.4¢ + 10%	1.7¢ + 17%	46	23	20	166
407.25	Acetylsalicylic acid (aspirin)	3.5¢ per lb. + 25% ad val	1.7¢ + 12.5%	1.7¢ + 14%	58	29	20	47
407.30	Antipyrine	3.5¢ per lb. + 25% ad val	1.7¢ + 12.5%	1.7¢ + 12%	26	13	13	18
407.32	5-Chloro-7-iodo-8-quinolinol and 2[1-(p-chlorophenyl)-3-dimethylaminopropyl]pyridine maleate.	2.8¢ per lb.+20% ad val	1.4¢+10%	1.7¢+19%	46	23	19	32
407.35	Diethylaminoacetoxylidide (xylocaine)	3.5¢ per lb.+22.5% ad val	1.7¢+11%	1.7¢+18%	(3)	(3)	(3)	
407.40	5-Ethyl-5-phenylhexahydropyrimidine-4,6-dione	2.4¢ per lb.+17% ad val	1.2¢+8.5%	1.7¢+9%	17	9	9	360
	Hydantoin derivatives:							

407.45	Methylphenethylhydantoin	2.8¢ per lb.+18% ad val.	1.4¢+9%	1.7¢+9%	(3)	(3)	(3)	
407.50	Other	2.8¢ per lb.+18% ad val.	1.4¢+9%	1.7¢+19%	40	20	20	16
	Imidazoline derivatives:							
407.55	2-Benzyl-4,5-imidazoline hydrochloride	2.8¢ per lb.+18% ad val.	1.4¢+9%	1.7¢+19%	42	21	19	19
407.60	Phenylbenzylaminoethylimidazoline hydrochloride.	2.8¢ per lb.+18% ad val.	1.4¢+9%	1.7¢+9%	(3)	(3)	(3)	
407.70	Other	2.8¢ per lb.+18% ad val.	1.4¢=9%	1.7¢+9%	18	9	9	
407.72 A	Penylephrine hydrochloride; Salicylazosulfapyridine	2.8¢ per lb. +20% ad val.	1.4¢+10%	[illegible]+10% [7] [illegible]¢+25% [8]	(3)(7) [8] 20	(3)(7) [8] 10	(3)(7) [8] 25	 255
407.72 B	Sulfadiazine; Sulfapyridine	2.8¢ per lb.+20% ad val.	1.4¢+10%	1.4¢+25%	34	17	25	211
407.72 C	Sulfamerazine, Sulfamethazine	2.8¢ per lb.+20% ad val.	1.4¢+10%	1.4¢+25%	44	22	26	428
407.72 D	Sulfaguanidine	2.8¢ per lb.+20% ad val.	1.4¢ +10%	1.4¢+25%	62	31	27	104
407.75	Phenolphthalein	3.5¢ per lb.+25% ad val.	1.7¢+12.5%	1.7¢+17%	(3)	(3)	(3)	
407.80	Salol	3.5¢ per lb.+25% ad val.	1.7¢+12.5%	1.7¢+17%	(3)	(3)	(3)	
407.85 A	Acetaminophen (p-Hydroxyacetanilide) (APAP); p-Aminobenzoic acid; Benzocaine (p-Aminobenzoic acid, ethyl ester); Carbarsone; Chloroquine diphosphate; Danthron (Chrysazin); p-Hydroxybenzoci acid, propyl ester (Propylparaben); Isoniazid; Phenazopyridine (2,6-Diamino-3-phenylazopyridine) hydrochloride; Phenobarbital and its salts; Procaine hydrochloride; Salicylamide; and Sulfisoxazole.	3.5¢ per lb.+25% ad val.	1.7¢+12.5%	1.7¢+18% (A) 1.4¢+25% (B)	42 41	21 21	19 25	744 35
407.85 B	Acriflavine; 5-Aminosalicylic acid; p-Aminosalicylic acid salts; Diphenhydramine hydrochloride; Mandelic acid; Mephobarbital; Phthalylsulfacetamide; Sulfacetamide; Sulfamethizole; and Sulfathiazole sodium.	3.5¢ per lb.+25% ad val.	1.7¢+12.5%	1.7¢+18% (A) 1.4¢+25% (B)	53 52	26 26	20 26	388 101
407.85 C	p-Aminosalicylic acid (PAS); N-Chloro-p-toluenesulfonamide, sodium salt (Chloramine T); Epinephrine bitartrate; Merbromin; Pseudoephedrine hydrochloride; Sulfacetamide sodium; and Sulfamethoxypyridazine	3.5¢ per lb.+25% ad val.	1.7¢+12.5%	1.7¢+18% (A) 1.4¢+25% (B)	71 72	36 36	19 26	143 10

See footnotes at end of table.

TABLE 10. BENZENOID CHEMICAL RATES OF DUTY, AD VALOREM EQUIVALENTS, AND 1964 IMPORTS—Continued

Item	Article	Rate on July 1, 1962	Kennedy round final rate [1]	ASP package final rate [2]	Ad valorem equivalent: Rate July 1, 1962	Ad valorem equivalent: KR rate	Ad valorem equivalent: ASP package rate	1964 imports (thousands)
407.85 D	Menadione sodium bisulfite; Mersalyl acid; Papaverine hydrochloride; Phthalylsulfathiazole; Sulfanilamide; and							
	Sulfathiazole	3.5¢ per lb. + 25% ad val.	1.7¢+12.5%	1.7¢+18% (A)	80	40	18	6
				1.4¢+25% (B)	84	42	27	328
407.85 E	Cyanocobalamin; and Folic acid	3.5¢ per lb. + 25% ad val.	1.7¢+12.5%	1.7¢+18%	106	53	18	121
407.85 F	Other	3.5¢ per lb. + 25% ad val.	1.7¢+12.5%	1.7¢+18% (A)	26	13	18	6,809
				1.4¢+25% (B)	25	13	25	23
	Drugs, from whatever source obtained, produced, or manufactured:							
407.90	Guaiacol and its derivatives	3.5¢ per lb. + 25% ad val.	1.7¢+12.5%	1.7¢+18%	43	22	19	16
	Aromatic or odoriferous compounds including flavors, not marketable as cosmetics, perfumery, or toilet preparations, and not mixed, and not containing alcohol:							
	Obtained, derived, or manufactured in whole or in part from any product provided for in subpart A or B, part 1, schedule 4:							

408.05	Benzyl acetate	7.0¢ per lb.+45% ad val	3.5¢+22.5%	3.5¢+15%	58	29	20	1
408.10	Benzyl benzoate	7.0¢ per lb.+45% ad val	3.5¢+22.5%	1.7¢+18%	(1)	(1)	(1)	
408.15	Diphenyl oxide	7.0¢ per lb.+45% ad val	3.5¢+22.5%	1.7¢+18%	(1)	(1)	(1)	
408.20	Heliotropin	3.5¢ per lb.+22.5% ad val	1.7¢+11%	1.7¢+9%	19	9	9	1
408.25	Methyl anthranilate	7.0¢ per lb.+45% ad val	3.5¢+22.5%	3.5¢+19%	54	27	20	7
408.30	Musk, artificial	5.6¢ per lb.+18% ad val	2.8¢+9%	3.5¢+13%	30	15	15	303
408.35	Phenylacetaldehyde	7.0¢ per lb.+45% ad val	3.5¢+22.5%	3.5¢+19%	47	24	20	
408.40	Phenethyl alcohol	7.0¢ per lb.+45% ad val	3.5¢+22.5%	3.5¢+18%	45	23	20	2
408.45	Saccharin	3.0¢ per lb.+19% ad val	1.5¢+9.5%	1.5¢+18%	40	20	20	629
408.60	Other compounds	7.0¢ per lb.+45% ad val	3.5¢+22.5%	3.5¢+19%	55	28	20	45
	From whatever source obtained, derived, or manufactured:							
408.70	Coumarin	7.0¢ per lb.+45% ad val	3.5¢+22.5%	3.5¢+19%	44	22	20	13
408.75	Methyl salicylate	7.0¢ per lb.+45% ad val	3.5¢+22.5%	1.7¢+16%	(1)	(1)	(1)	
408.80	Vanillin	3.0¢ per lb.+19% ad val	1.5¢+9.5%	1.5¢+12%	26	13	13	1,787
409.00	Mixtures in whole or in part of any of the products provided for in subpart C, part 1, schedule 4.	7.0¢ per lb.+45% ad val	3.5¢+22.5%	3.5¢+16% [9]	54	27	20	409

NOTE: A=Other than sulfa drugs. B=Sulfa drugs.
Source: Tariff Commission.

[1] ASP applicable.
[2] ASP eliminated.
[3] Not available.
[4] But not less than the highest rate applicable to any component provided for in subpart B.
[5] Rate for trinitrotoluene.
[6] Rate for explosives other than trinitrotoluene.
[7] Rate for phenylephrine hydrochloride.
[8] Rate for salicylazosulfapyridine.
[9] But not less than the highest rate applicable to any component provided for in subpart C.

TABLE 11.—CHEMICALS AND ALLIED PRODUCTS—NEW CAPITAL EXPENDITURES BY SELECTED INDUSTRIES AND INDUSTRY GROUPS, 1961-70

[Dollars in million]

SIC code		1961	1962	1963	1964	1965	1966	1967	1968	1[illegible]	1970
28	Chemicals and allied products	1,498	1,347	1,546	1,862	2,475	2,898	2,833	[1] 2,618	[1] 2,867	[1] 3,440
281	Basic chemicals	741	651	813	989	1,227	1,522	1,219	([2])	([2])	([2])
2815	International coal tar products	67	74	105	101	90	87	128	([2])	([2])	([2])
2818	Organic chemicals [3]	381	268	401	496	641	886	639	([2])	([2])	([2])
282	Rubber, plastics, and fibers	364	336	379	480	692	816	930	([2])	([2])	([2])
283	Drugs	107	95	113	118	138	162	198	([2])	([2])	([2])
287	Agricultural chemicals	111	75	67	111	193	130	139	([2])	([2])	([2])

[1] Estimated.
[2] Not available.
[3] Not elsewhere classified.

Source: Department of Commerce.

TABLE 12.—ANNUAL PLANT AND EQUIPMENT EXPENDITURES ABROAD BY U.S. MANUFACTURING COMPANIES ALL MANUFACTURING AND CHEMICALS AND ALLIED PRODUCTS

[Dollars in millions]

	All manufacturing (amount)	Chemicals and allied products (Amount)	Chemicals and allied products Percent of all manufacturing
1957	$1,347	$234	17.4
1958	1,180	261	22.1
1959	1,141	216	18.9
1960	1,337	237	17.7
1961	1,697	278	16.4
1962	1,941	308	15.9
1963	2,153	436	20.3
1964	3,007	619	20.6
1965	3,884	861	22.2
1966	4,583	1,040	22.7
1967	4,525	1,210	26.7
1968	4,175	1,208	28.9
1969[1]	4,874	1,109	22.8
1970[1]	6,933	1,525	22.0

[1] Estimated.

Source: U.S. Department of Commerce.

TABLE 13.—ESTIMATES of PLANT and EQUIPMENT EXPENDITURES by FOREIGN AFFILIATES of U.S COMPANIES BY AREA AND INDUSTRY, 1965-70

[Dollars in millions]

	1965	1966	1967	1968	[1] 1969	1970[1]
All areas:						
Chemicals	861	1,040	1,210	1,208	1,109	1,525
All manufacturing	3,884	4,583	4,525	4,175	4,874	6,933
Canada:						
Chemicals	225	221	166	158	134	244
All manufacturing	944	1,174	1,001	842	[illegible]	1,365
Latin America:						
Chemicals	151	143	150	179	203	203
All manufacturing	459	451	505	575	623	797
Europe, total:						
Chemicals	321	462	637	871	722	1,079
All manufacturing	1,860	2,244	2,332	2,759	3,264	4,771
Common Market:						
Chemicals	147	[illegible]	[illegible]	313	293	482
All manufacturing	[illegible]	[illegible]	1,438	1,195	1,466	2,201
Other Europe:						
Chemicals	174	187	210	210	183	271
All manufacturing	818	913	894	817	1,076	1,475
Other areas:						
Chemicals	164	213	258	348	246	326
All manufacturing	621	714	687	747	722	1,095

[1] Estimated.

Source: Department of Commerce.

TABLE 14.—CHEMICALS AND ALLIED PRODUCTS. SALES BY AMERICAN-OWNED ENTERPRISES ABROAD AND EXPORTS FROM THE UNITED STATES

[Dollars in millions]

	Sales by U.S. plants abroad	Exports from the United States	Total
1957	2,411	1,376	3,787
1959	2,950	1,558	4,508
1961	3,890	1,789	5,679
1962	4,400	1,883	6,283
1963	5,130	1,994	7,120
1964	5,903	2,374	8,277
1965	6,851	2,402	9,253
1967	[1] 9,000	2,803	11,803

[1] Estimated by the Manufacturing Chemists' Association.

Source: U.S. Department of Commerce, except 1967 sales.

TABLE 15.—RESEARCH AND DEVELOPMENT EXPENDITURES, BY INDUSTRY 1958–68

[Dollars in millions]

	All industries	Chemicals and allied products	Industrial chemicals	Drugs and medicines	Other chemicals
1958	8,389	792	553	128	111
1959	9,618	891	600	154	137
1960	10,509	980	666	162	152
1961	10,908	1,101	706	180	215
1962	11,464	1,175	738	195	242
1963	12,630	1,239	809	216	214
1964	13,512	1,300	876	238	186
1965	14,197	1,377	928	268	181
1966	15,548	1,461	955	318	188
1967	16,415	1,569	1,004	356	209
1968	17,435	1,640	1,025	393	222

Source: National Science Foundation.

TABLE 16.—VALUE ADDED PER EMPLOYEE COMPARISONS CHEMICAL INDUSTRY—ALL MANUFACTURING—ALL ACTIVITY

	Value added billions of 1958 dollars			Number of employees (In thousands)			Value added per employee (1958 dollars)		
	Chemical industry	All manufacturing	All activity	Chemical industry	All manufacturing	Total economy	Chemical industry	All manufacturing	Total economy
1947	4.1	91.8	309.9	649	15,545	57,039	6,317	5,905	5,433
1953	7.0	128.6	412.8	768	17,549	61,181	9,115	7,328	6,747
1959	10.9	138.9	475.9	809	16,675	64,630	13,473	8,330	7,363
1960	11.0	140.9	487.7	828	16,796	65,778	13,285	8,389	7,414
1961	11.5	140.4	497.2	828	16,326	65,746	13,888	8,600	7,562
1962	12.4	154.6	529.8	849	16,853	66,702	14,605	9,173	7,943
1963	13.1	162.4	551.0	865	16,995	67,762	15,144	9,556	8,131
1964	14.0	173.7	581.1	879	17,274	69,305	15,927	10,056	8,385
1965	15.9	190.5	617.8	908	18,062	71,088	17,511	10,547	8,691
1966	17.0	205.7	657.1	958	19,214	72,895	17,745	10,706	9,014
1967	17.4	206.5	673.1	1,001	19,447	74,372	17,383	10,619	9,050
1968	19.5	221.1	707.6	1,026	19,768	75,290	19,006	11,185	9,398
1969	(1)	(1)	727.5	1,049	20,121	77,902	(1)	(1)	10,708

[1] Not available.

Source: Department of Commerce, Department of Labor.

TABLE 17.—SELECTED ECONOMIC INDICATORS FOR THE INTERMEDIATE COAL-TAR PRODUCTS INDUSTRY, 1958-67[1]

	Value of shipments (millions)	Value added by management (millions)	Production workers: 1,000 hours	Production workers: Number	Total employment	Production workers' wages (millions)	Total payroll (millions)	Value added per production workers	Value added per dollar of wages	Ratio of total payroll to value of shipments (percent)
1958	$817	$373	35,503	17,930	26,218	$97	$155	$20,809	$3.84	19.0
1959	994	480	38,531	18,837	27,153	107	169	25,462	4.46	17.0
1960	1,004	479	37,107	18,609	27,160	109	174	25,749	4.39	17.3
1961	1,015	493	35,779	17,401	25,888	109	175	28,317	4.53	17.2
1962	1,032	495	33,914	16,844	24,912	107	175	29,416	4.63	17.0
1963	1,108	570	35,725	17,576	26,089	116	191	32,444	4.91	17.2
1964	1,197	593	36,240	17,678	26,902	121	202	33,525	4.88	16.9
1965	1,371	656	39,623	18,970	28,393	135	224	34,555	4.84	16.3
1966	1,483	742	41,107	19,350	28,191	145	233	37,087	4.95	15.8
1967	1,485	708	39,000	19,000	28,000	(2)	238	(2)	(2)	(2)

[1] Standard Industrial Classification, category 2815.
[2] Not available.

Source: Department of Commerce.

TABLE 18.—INDEX OF INDUSTRIAL PRODUCTION (1957-59=100)

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	[1] 1969
All manufacturing industries	93.2	106.0	108.9	109.6	118.7	124.9	133.1	145.0	158.6	159.7	166.9	173.3
Chemicals and allied products	95.8	109.8	116.6	123.4	136.1	148.6	159.6	173.4	193.2	203.8	221.7	238.5
Inorganic chemicals (subtotal)	97.1	106.7	110.6	113.7	122.6	135.9	149.3	159.7	176.2	190.9	198.0	208.1
Basic inorganic chemicals	95.3	107.1	110.9	112.0	124.1	142.0	162.0	184.5	214.4	237.4	249.5	262.9
Organic chemicals (subtotal)	91.4	114.4	124.1	136.3	158.1	174.0	190.7	211.7	239.9	254.9	289.0	314.5
Basic organic chemicals	92.2	110.7	125.1	136.1	150.2	158.2	163.6	172.9	195.9	216.2	226.8	233.8
Synthetic materials	90.4	118.8	123.0	136.5	167.2	192.3	222.3	257.0	291.0	299.9	361.3	408.4
Plastics materials	91.4	125.8	134.7	156.0	189.5	244.9	260.4	298.5	343.3	348.6	401.5	[2] 466.8
Synthetic rubber	88.9	116.5	121.1	117.3	133.0	135.9	148.7	153.3	166.5	161.6	179.5	[2] 189.4
Manmade fibers	89.6	111.4	109.8	119.0	150.6	170.0	198.2	237.4	264.8	281.9	365.4	400.7
Chemical Products (subtotal)	98.6	107.4	112.9	116.8	124.4	134.2	140.3	149.8	164.6	170.7	180.3	193.8
Soap and related products	98.3	108.1	112.7	113.8	114.7	123.4	132.0	133.8	145.9	149.0	156.7	162.0
Paints	96.8	103.9	101.9	98.4	98.9	107.5	111.0	119.1	128.9	120.4	129.2	135.5
Fertilizer	95.9	107.9	110.3	114.9	117.6	126.1	129.5	134.4	136.4	139.8	134.1	132.0

[1] Preliminary.
[2] 11 months averages.

Source: Board of Governors of the Federal Reserve System.

TABLE 19.—SELECTED ECONOMIC DATA. COMPARISONS OF CHEMICALS AND ALLIED PRODUCTS INDUSTRY WITH ALL MANUFACTURING INDUSTRIES, 1958-69

	Shipments by all manufacturing industries (billions)	In millions			Percent profits after taxes of—			
		Shipments of chemicals and allied products	Net profits after taxes—		Net sales		Stockholders' equity	
			All manufacturing corporations	Chemicals and allied products	All manufacturing corporations [1]	Chemicals and allied products	All manufacturing corporations [1]	Chemicals and allied products
1958	$326.8	$23,174	$12,670	$1,646	4.2	7.0	8.6	11.4
1959	369.1	26,298	16,340	2,141	4.8	7.9	10.4	13.7
1960	368.7	26,585	15,198	2,011	4.4	7.5	9.2	12.2
1961	370.8	27,290	15,311	2,045	4.3	7.3	8.9	11.8
1962	397.4	29,273	17,719	2,239	4.5	7.4	9.8	12.4
1963	420.4	31,778	19,483	2,427	4.7	7.5	10.3	12.9
1964	448.0	34,261	23,211	2,857	5.2	7.9	11.6	14.4
1965	492.0	37,477	27,521	3,188	5.6	7.9	13.0	15.2
1966	538.5	40,797	30,937	3,474	5.6	7.8	13.4	15.1
1967	548.5	42,347	29,008	3,261	5.0	6.9	11.7	13.1
1968	603.7	46,465	37,069	3,525	5.1	6.8	11.7	13.1
1969	655.3	48,698	33,248	3,591	4.8	6.5	11.5	12.8

[1] Data on profits and profit ratios cover all manufacturing corporations, except newspapers, as reported by the Federal Trade Commission and the Securities and Exchange Commission.

Sources: Department of Commerce; Federal Trade Commission and Securities and Exchange Commission.

PROVISIONS OF H.R. 14870

Tariff Reduction Authority

Section 201 of the Bill proposes that the President in order to carry out a trade agreement, be authorized to reduce U.S. import duties in effect on July 1, 1967 (final Kennedy Round rates effective January 1, 1972), by 20 percent or by 2 percentage points (or the ad valorem equivalent thereof). Any tariff reductions made under this authority would be implemented in two equal stages one year apart. This authority would remain in force until July 1, 1973. The usual pre-negotiation procedures of issuance of a public list, public hearings and Tariff Commission advice to the President will continue to apply.

The Administration has no intention of using this authority for any major tariff negotiation. The primary purpose for requesting the authority is to enable the President to offer new tariff concessions to compensate for duty increases or imposition of restrictions as a consequence of escape clause actions. Without such an authority, nations adversely affected by an escape clause action would be likely to retaliate by raising duties or imposing restrictions against U.S. exports. The authority will enable the President to negotiate in such situations in accordance with the established procedures of the GATT.

An authority to reduce tariffs by 20 percent is requested because that depth of reduction has been found to be a satisfactory rate for compensation purposes. The depth of the tariff reduction authority has a major impact on the number of items that ha to be included in a compensation package. For example, if the United States raised a rate from 20 to 40 percent on $5 million of imports, then, in accordance with the gen . l pragmatic practice, it would be expected to grant reductions of 50 percent on the same volume of trade in compensation. In this case then the United States would have only a 20 percent authority, it would have to grant reductions of 20 percent on $12.5 million of imports, the trade volume compensating for the lower duty cut. A tariff reduction authority of only 10 percent, for example, would require compensation on $25 million of imports. The authority for 2 percentage points is for low duty items where a 20 percent reduction would provide little or no bargaining power.

It is possible that the authority might be useful in limited negotiations on one or several products to resolve trade problems causing difficulties for U.S. exporters. Most important in this regard are tariff disparity problems where two-way trade exists in a commodity. For example, U.S. producers of poultry laying cages, lignin pitch and concrete block making machinery have complained that U.S. tariffs on these products are lower than those of Canada and have requested negotiations to reduce Canadian tariffs to provide equal access to that market. Similar requests have arisen regarding beryllium copper strip exports to the U.K. and Japan, kyanite ore and diamond stylii exports to the U.K.

The request to authorize the tariff reduction authority until July 1, 1973, is based on the prospect that the Commission on World Trade will not complete its work until sometime in 1971. Time will then be required to develop long-term trade legislation which probably could not be presented to Congress before the beginning of 1972. Since Congressional consideration of long-term trade legislation will probably be lengthy and the legislative year shortened by the 1972 elections, it appears desirable to extend the authority to June 30, 1973 to assure an adequate authority for handling cases involving compensation for escape clause actions.

Appropriations for GATT

Section 202 of the proposed Trade A. of 1969 amends the Trade Expansion Act of 1962 by adding a new Section 244, which would specifically authorize annual appropriations for the U.S. contribution to GATT.

Justification

The US contribution to the GATT has been funded out of the International Conferences and Contingencies appropriation of the Department of State budget, under general provisional (annual) authority (Section 5 of P.L. 84-885, approved August 1, 1956).

Funds for most international organizations are appropriated pursuant to a specific, permanent Congressional authorization provided for in the form of Public Law or Senate consent to ratification of a treaty or convention. Since the GATT has the legal status of an executive agreement .. entered into pursuant to trade agreements legislation, specific authorization has not been provided in the usual manner.

As the world's largest trading nation, the US has a major stake in supporting GATT, which is the main forum for reducing trade barriers and expanding world commerce. It would be appropriate and would permit sounder budget management to provide the same kin. of legislative authorization for the GATT as exists for US contributions to international organizations generally.

What the US Obtains from Participating in GATT

The General Agreement provides the legal framework within which over 80 percent of the world's commerce is conducted. The US was one of the prime movers in GATT's formulation after World War II as a means of establishing a freer world trading system that would contribute to economic growth, sounder allocation of resources, higher standards of living, and amicable relations among trading nations. Seventy-seven countries are now contracting parties, one is a provisional member, and the GATT is applied de facto in trade with 13 additional countries.

Through a series of tariff negotiations conducted under GATT aegis, duties on a major portion of free world commerce have been significantly reduced and bound. Lowering of these barriers has been a major factor in the rapid expansion of trade and economic growth in the past two decades. The bindings incorporated in GATT cover billions of dollars worth of exports and provide essential stability to world commerce.

The GATT also contains a code of fair practices which members are legally committed to apply. The very existence of this code acts as a deterrent to the adoption of restrictive or discriminatory measures or practices. In the event of violations or special problem situations, however, the Agreement provides a framework for elimination of the action or compensation for damage. As the world's largest trading nation, the

US has a major stake in maintaining the integrity of the General Agreement and its prestige as a forum for further negotiations to achieve such important US objectives as the reduction of non-tariff barriers and the elimination of various foreign practices inimical to our farm exports.

The GATT Does Not Infringe upon Congress' Constitutional Power to Regulate Tariffs

The GATT, like other trade agreements entered into by the US, is an executive agreement carried out pursuant to the authority constitutionally delegated by the Congress to the President under the Tariff Act of 1930 and the Trade Agreements Act of 1934. The CONTRACTING PARTIES to GATT have no authority to place any new or greater obligation on the US without our consent.

Why the GATT Has Never Been Submitted to Congress for Approval

Congress has by legislation given the President prior authorization to enter into trade agreements and to modify duties and other import restrictions to carry out these trade agreements. Section 350(a) of the Tariff Act of 1930, as added to by the Trade Agreements Act of 1934, provides for the President to "enter into foreign trade agreements" within a particular period of time and authorized him to proclaim modifications of existing duties and other import restrictions or the continuance of customs or excise treatment to carry out such agreements. Since 1962, the general authority under which we have negotiated in the GATT has been the Trade Expansion Act of 1962.

In passing such legislation, the Congress intended, among other things, to relieve its members of the complex and time-consuming responsibilities associated with the adjustment of tariff duties. The language referred to above makes it clear that Congress also intended that trade agreements should cover trade controls other than tariffs. There is no need to submit to Congress a trade agreement concluded pursuant to this prior authorization.

GATT Efficiency and the US Contribution

The US contribution is small, both in terms of dollars ($571,440) and percentage (about 16% of a total budget of $3,678,000). The GATT has been efficiently managed, and a serious effort has been made to hold budget increases to the necessary minimum, e.g. the 1970 budget provides for only two new professional level positions. The US has consistently taken an austere position on the GATT budget, and we are satisfied that this is a reasonable and necessary budget.

GATT Budget and U.S. Contribution

1968 - 1970

	GATT Expenditure Budget[1]	U.S. Contribution	U.S. Percentage of total
1970	$3,678,000	$571,440	16.43
1969	$3,364,500	$508,790	16.03
1968	$3,318,000	$502,750	15.91

Comparison with OECD and UNCTAD

1970 OECD Budget[2]	$19,182,000	US Contribution	$4,585,000	25.00%
1970 UNCTAD Budget[2]	$ 8,911,200	US Contribution	$2,525,600	31.57%
1970 GATT Budget	$3,678,000	US Contribution	$ 571,440	16.43%

1. Expenditure budget minus miscellaneous income and funds carried forward equals assessment budget.

2. estimates

GATT Membership

1. Contracting parties to the GATT(77)

Argentina
Australia
Austria
Barbados
Belgium
Brazil
Burma
Burundi
Cameroon
Canada
Central African Republic
Ceylon
Chad
Chile
Congo (Brazzaville)
Cuba
Cyprus
Czechoslovakia
Dahomey
Denmark
Dominican Republic
Finland
France
Gabon
Gambia
Germany, Fed. Rep. of
Ghana
Greece
Guyana
Haiti
Iceland
India
Indonesia
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Kenya
Korea
Kuwait
Luxemburg
Madagascar
Malawi
Malaysia
Malta
Mauritania
Netherlands, Kingdom of the
New Zealand
Nicaragua
Niger
Nigeria, Fed. Republic of
Norway
Pakistan
Peru
Poland
Portugal
Rhodesia
Rwanda
Senegal
Sierra Leone
South Africa
Spain
Sweden
Switzerland
Tanzania
Togo
Trinidad and Tobago
Turkey
Uganda
United Arab Republic*
United Kingdom of Great Britain and Northern Ireland
United States of America
Upper Volta
Uruguay
Yugoslavia

2. Tunisia has acceded provisionally.

3. Countries to whose territories the GATT has been applied and which now, as independent States, maintain a de facto application of the GATT pending final decisions as to their future commercial policies (13)

Algeria
Botswana
Cambodia
Congo, Dem. Rep. of
Equatorial Guinea
Lesotho
Maldive Islands
Mali
Mauritius
Singapore
Southern Yemen
Swaziland
Zambia

* UAR has completed accession negotiations and will become a member within a few weeks.

Scale of GATT Contributions (in US dollars)

Contracting Party	Percentage	1969	1970
Argentina	0.68	23,800	23,650
Australia	1.91	62,530	66,430
Austria	1.09	35,230	37,910
Barbados	0.12	3,810	4,170
Belgium	3.56	112,990	123,820
Brazil	0.92	27,610	32,000
Burma	0.12	3,810	4,170
Burundi	0.12	3,810	4,170
Cameroon	0.12	3,810	4,170
Canada	5.87	178,060	204,160
Central African Rep.	0.12	3,810	4,170
Ceylon	0.19	6,670	6,610
Chad	0.12	3,810	4,170
Chile	0.43	12,380	14,960
Congo (B)	0.12	3,810	4,170
Cuba	0.42	14,280	14,610
Cyprus	0.12	3,810	4,170
Czechoslovakia	1.55	51,740	53,910
Dahomey	0.12	3,810	4,170
Denmark	1.49	48,880	51,830
Dominican Rep.	0.12	3,810	4,170
Finland	0.84	28,570	29,220
France	6.54	206,310	227,460
Gabon	0.12	3,810	4,170
Gambia	0.12	3,810	4,170
Germany, Fed. Rep.	10.59	336,760	368,320
Ghana	0.17	5,710	5,920
Greece	0.45	14,280	15,650
Guyana	0.12	3,810	4,170
Haiti	0.12	3,810	4,170
Iceland	0.12	3,810	4,170
India	1.13	39,990	39,300
Indonesia	0.35	11,740	12,180
Ireland	0.48	15,550	16,700
Israel	0.38	11,740	13,220
Italy	4.81	148,230	167,290
Ivory Coast	0.16	5,080	5,570
Jamaica	0.15	4,760	5,220
Japan	5.83	173,300	202,770
Kenya	0.15	5,080	5,220
Korea, Rep. of	0.36	8,570	12,520
Kuwait	0.47	14,920	16,350
Luxembourg	0.31	9,840	10,780
Madagascar	0.12	3,810	4,170
Malawi	0.12	3,810	4,170
Malaysia	0.62	20,950	21,570
Malta	0.12	3,810	4,170
Mauritania	0.12	3,810	4,170

Netherlands	4.54	145,050	157,900
New Zealand	0.52	18,410	18,090
Nicaragua	0.12	3,810	4,170
Niger	0.12	3,810	4,170
Nigeria	0.[illegible]4	13,010	11,830
Norway	1.13	36,180	39,300
Pakistan	0.43	14,280	14,960
Peru	0.41	13,330	14,260
Poland	1.41	45,070	49,040
Portugal	0.68	22,220	23,650
Rhodesia	0.15	5,710	5,220
Rwanda	0.12	3,810	4,170
Senegal	0.12	3,810	4,170
Sierra Leone	0.12	3,810	4,170
South Africa	1.23	39,670	42,780
Spain	1.29	41,260	44,870
Sweden	2.44	79,030	84,870
Switzerland	1.96	64,110	68,170
Tanzania	0.12	4,130	4,170
Togo	0.12	3,810	4,170
Trinidad and Tobago	0.23	7,620	8,000
Turkey	0.32	10,470	11,130
Uganda	0.12	3,810	4,170
United Kingdom	9.73	317,720	338,410
United States	16.43	508,790	571,440
Upper Volta	0.12	3,810	4,170
Uruguay	0.12	3,810	4,170
Yugoslavia	0.76	24,440	26,440
Associated Governments:			
Cambodia	0.12	3,810	4,170
Tunisia	0.12	3,810	4,170
United Arab Rep.*	0.38	13,650	13,220
			3,478,000

The percentage assessed on each member is in proportion to its share of world trade (minimum 0.12%) in the most recent three year period for which statistics are available.

* The UAR will become a contracting party this year.

Amendment of Retaliatory Provisions of the Trade Expansion Act

Section 203 of the bill proposes two amendments to section 252 of the Trade Expansion Act to strengthen the negotiating power of the President when our trading partners are considering proposals or have taken actions which adversely affect our export interests. Section 252, although invoked only once in the famous "Chicken War", has provided the Executive Branch with a deterrent power which has been effective in a number of instances in recent years to prevent countries from taking actions which would adversely affect U.S. exports. Though these cases cannot be detailed here, it is public knowledge that the United States has notified the EEC of its intention to take retaliatory action if the latter imposes a tax on fats and oils.

The defect in the authority as it is now written, which if removed would make it more useful, involves one word, "agricultural". At present, if a country imposes unjustifiable restrictions against U.S. industrial exports, the President's power is limited. In the case of agricultural products, section 252 currently authorizes the President to impose duties or other import restrictions to the extent he deems necessary and appropriate to obtain equitable access to markets of countries imposing or maintaining restrictions against U.S. agricultural exports. This authority gives the President full and wide negotiating power and leverage.

In the case of restrictions on U.S. industrial exports, however, the President in the same circumstance can only impose the statutory rate of duty. Thus, if a country discriminates or imposes unreasonable restrictions against U.S. automobile exports, the President can raise the duty to the statutory limit of 10 percent and no higher. He can, of course, take action on other industrial products at the same time but these actions may not resolve the problem in automobiles. Thus, the Administration is recommending deletion of the word "agricultural" in subsection (a)(3) of section 252 so that the President will have the same authority for both agricultural and industrial products.

The second amendment proposed for section 252 authorizes the President to remove benefits of our trade concessions to countries which provide subsidies or other incentives to their exports to third markets and thereby adversely affect U.S. exports in the same market. At present, such subsidies and incentives on dutiable imports into the United States can be nullified by the countervailing duty law. However, the President has no specific authority to act with respect to subsidies to third markets which affect our exports. The Administration considers this authority will be useful in maintaining fair treatment for U.S. exports, particularly in the agricultural area where subsidization is practiced fairly widely by a number of countries.

Escape Clause

The escape clause provisions of the Trade Expansion Act (TEA) are too rigid and generally have not worked. In only one of the 16 cases filed for relief under the TEA has the Tariff Commission made an affirmative finding of a threat of injury. In two other cases, the Commission was equally divided.

The Administration is therefore proposing two amendments to ease the criteria for obtaining escape clause relief. Both amendments are consistent with the long established concept that relief should be available for an industry injured by imports since our philosophy has been that no single person or group should bear the brunt of a trade program undertaken in the national interest.

The first amendment will delete the "causal relationship" between an increase in imports and a tariff concession. In considering escape clause petitions under present law, the Commission must first determine that an increase in imports has occurred "as a result in major part" of tariff concessions. Of the 16 cases investigated by the Commission, 13 failed to meet this test and therefore did not qualify for the injury test. Almost all of our tariff classifications are subject to concessions granted in one or more of six multilateral tariff negotiations dating back to 1947, and in many cases in bilateral agreements of the mid-30's. To deny relief on the basis that a concession granted in 1951 or 1962 is not the major cause of imports in 1969 is inconsistent with the clear fact that in many cases imports would be very small or nonexistent if no tariff concessions had been made. The key issue in escape clause cases should be whether an industry is experiencing or threatened with serious injury from increased imports. The cause of an increase in imports may be relevant to the question of whether serious injury has occurred and to the type of remedy that may be needed. Since almost all products are subject to tariff concessions, it no longer appears to be the initial question for consideration of petitions.

The second amendment proposes a clarification of the causal relation between increased imports and injury. In the present law, an increase in imports must be "the major factor" in causing or threatening serious injury. The proposed amendment substitutes "primary cause" for "major factor" because the latter has been interpreted to mean more than 50 percent of all causes and thus appears overly rigid. "Primary cause" means greater than any other single cause but not greater than all other causes combined, thus making the injury test more realistic and easier to meet in some cases.

The rationale for using the word "primary" is as follows:

The term "major factor" means that an increase in imports must be a greater cause of injury than all other causes combined. The competitive effect of increased imports in a particular case may be very severe, and may be the single most important cause of an industry's plight. Yet the injury from increased imports still might not outweigh the cumulative effect of all other factors. Under the current law, escape clause relief would probably be denied.

Usually, the typical industry experiencing severe import competition is beset with a number of difficulties, including changing technology and style, competition from other products, changes in consumer habits, and plant obsolescence to name a few. To require, in theory as well as in fact, that an increase in imports be judged to account for at least 50.1 percent of the causes of injury before relief can be granted is a very rigid test and a difficult evaluation to make. A fairer and more practicable test, and one that is easier to make, would be the singling out of an increase in imports as the most important of all causes of injury but not necessarily greater than all causes combined. Thus the term "the primary cause" for the industry-wide escape clause test is being recommended.

Substitution of "the primary cause" for "major factor" also raises the question of reverting to the criterion in section 7 of the Trade Agreements Amendment Act of 1951 under which the Commission had to find that an increase in imports had contributed "substantially" to injury. The word "substantial" is not considered to be a suitable criterion for the causal relationship between imports and injury in an industry-wide petition because it is too imprecise. Dictionaries define "substantial" as meaning considerable, large, or strong. To some the word "substantial" also connotes only something more than "de minimus" and with this wide area of interpretation, it is not considered to be a proper test for industry-wide tariff relief with its broad international repercussions.

Escape Clause Investigations under the Trade Expansion Act of 1962

	Affirmative finding	Negative finding
1. Household china tableware 1/ and kitchenware		X
2. Earthenware table 1/ and kitchen articles		X
3. Hatters' fur 1/		X
4. Softwood lumber 1/		X
5. Whisky		X
6. Umbrellas and parts		X
7. Watches, watch movements and parts		X
8. Mushrooms, prepared or preserved		X
9. Ice skates and parts		X
10. Eyeglass frames and mountings		X
11. Barbers' chairs		X
12. Broomcorn		X
13. Canned sardines		X
14. Pianos, Piano parts		X
15. Sheet glass,	2/	
Other glass		X
16. Barbers' chairs	3/	
17. Umbrellas and parts	Pending	

1/ Investigation pending under section 7 of the Trade Agreements Extension Act of 1951, as amended, on the date of enactment of the Trade Expansion Act (Oct. 11, 1962), and was continued under section 301 of the TEA.
2/ The vote of the Commission was equally divided. The President accepted the affirmative finding as the finding of the Commission.
3/ The vote of the Commission was equally divided. The President may accept the findings of either group as the finding of the Commission. The Commission's report was submitted to the President April 21, 1970. As of May 8, 1970, the President had not announced a decision in this case.

Trade Adjustment Assistance

Assistance to firms and workers in adjusting to an injurious impact from import competition was first provided in the Trade Expansion Act of 1962. Since the Act was passed, the Tariff Commission has received 30 petitions for a determination of eligibility for assistance (10 from firms and 20 from groups of workers). An affirmative determination was not made by the Commission until November 1969 on the 16th petition received. Of the 30 petitions which have been submitted to the Commission, negative determinations have been made on 13, the Commission divided evenly on 2 (the effect being a negative determination), affirmative determinations have been made on 6, 2 were withdrawn, and 7 are pending. As part of escape clause decisions, firms and workers in the piano and sheet glass industries have been authorized by the President to apply for adjustment assistance; several firms and groups of workers from these industries have already applied to the Secretaries of Commerce and Labor.

The United States needs a more effective adjustment assistance program as a companion to tariff relief to permit assistance to be pinpointed to injured firms and workers within industries which may on the whole be able to compete with imports. Adjustment assistance which is designed to deal with problems which are essentially localized and temporary would reduce reliance on import restrictive devices. To make adjustment assistance more readily available to firms and workers seriously injured by imports, the Trade Expansion Act would be amended in four major respects.

1. The Trade Act of 1969 proposes to delete the causal relationship between an increase in imports and a tariff concession. In considering adjustment assistance petitions under present law, the Commission must first determine that an increase in imports has occurred "as a result in major part" of tariff concessions. Of the cases completed by the Commission, 13 failed to meet this test and therefore did not qualify for the injury test; in two others, the Commission divided evenly and the effect was also a negative determination. Almost all of our tariff classifications are subject to concessions granted in 6 multilateral tariff negotiations dating back to 1947, and in many cases in bilateral agreements of the mid-30's. To deny relief on the basis that a concession granted in 1951 or 1962 is not the major cause of imports in 1970 is inconsistent with the clear fact that in many cases imports would be very small or non-existent if no tariff concessions had been made. The key issue in adjustment assistance cases should be whether a firm or group of workers is suffering serious injury from increased imports, not the cause of the imports. The cause of an increase in imports should no longer be the initial question for consideration of adjustment assistance since almost all products are subject to tariff concessions.

2. The bill would change the required causal relationship between injury to workers and firms and increased imports from "major factor" to "substantial cause." "Major factor" has been interpreted to mean at least 51 percent of all causes whereas "substantial cause" is intended to mean an actual and considerable cause but not necessarily one that is greater than any other single cause. This is not as strict as "major" and eliminates the necessity of determining the relative order of importance of any individual cause. It is clearly the intention of the Administration that adjustment assistance be extended to firms and groups of workers when needed. Such decisions involving one or several firms or a group of workers do not involve decisions of nation-wide significance. They are more oriented to individual towns, cities, communities, and plants. To maximize the opportunity for firms and groups of workers to obtain adjustment assistance, and at the same time maintain an appropriate link to an increase of imports as a cause of serious injury, the Administration considers that the term "substantial cause" as defined above is clearly justified and desirable.

3. The proposed bill transfers the functions of making determinations with regard to the existence and cause of injury from the Tariff Commission to the President. It is believed that the President will in turn delegate this authority to an interagency board. The purpose of this transfer is to make a clear distinction between escape-clause and adjustment assistance findings. Escape-clause findings impinge directly on our international trade relationships and it is therefore appropriate for such findings to be made by a body like the Tariff Commission which has bipartisan membership and the ability to subpoena witnesses and data. Both substantively and administratively, adjustment assistance cases can be handled most efficaciously by an interagency board which includes Departments which are already responsible for related domestic programs.

   Fact-finding investigations will continue to be made by the Commission.

4. The bill would further amend the criteria for granting adjustment assistance to firms by providing that they may apply when "appropriate subdivisions" have suffered import injury. Under the TEA, workers in subdivisions such as plants may already apply but firms must demonstrate serious injury to their whole structures. The term "appropriate subdivision" is intended to mean an establishment in a multi-establishment firm which produces the domestic article in question or a distinct part or section of an establishment which produces the article.

Firm Petitions for Adjustment Assistance

	Affirmative determination		Negative determination
1. Household china tableware			X
2. Sodium gluconate			X
3. Crude petroleum			X
4. Ceramic floor and wall tile		1/	
5. Ceramic floor and wall tile			X
6. Plywood door skins	2/		2/
7. Barbers' chairs			X
8. Barbers' chairs			X
9. Barbers' chairs	2/		2/
10. Women's and misses' dress shoes		Pending	

Worker Petitions for Adjustment Assistance

	Affirmative determination		Negative determination
1. Unmanufactured zinc			X
2. Transistor radios			X
3. Iron ore			X
4. Cotton sheeting			X
5. Ceramic mosaic tile			X
6. Certain ceramic tiles		1/	
7. Men's welt shoes			X
8. Buttweld pipe & tubing	X		
9. Transmission towers	X		
10. Transmission towers	X		
11. Ceramic floor and wall tile			X
12. Transmission towers	X		
13. Rubber-soled fabric footwear	X		
14. Rubber-soled fabric footwear	X		
15. Women's and misses' dress shoes		Pending	
16. Women's and misses' dress shoes		Pending	
17. Women's and misses' dress shoes		Pending	
18. Women's and misses' dress shoes		Pending	
19. Men's, youths', and boys' soled moccasins and cement-process footwear		Pending	
20. Bicycle tires and tubes		Pending	

1/ Petition withdrawn.
2/ Commission divided evenly; the effect of the tie vote is a negative determination.

Adjustment Assistance for Firms

As a result of the February escape clause actions on upright pianos and sheet glass, firms in those industries have been authorized to request the Secretary of Commerce for certification of eligibility to apply for adjustment assistance. Several firms in these industries have contacted the Department of Commerce and are receiving advice on application procedures and requirements and one firm has submitted a formal application. In addition, one petition by an individual firm for a determination of eligibility to apply for adjustment assistance is currently pending before the Tariff Commission.

Under section 302(a)(2) of the Trade Expansion Act of 1962 the President may provide, with respect to an industry on which an affirmative escape clause finding has been made by the Tariff Commission, that its firms may request the Secretary of Commerce for certifications of eligibility to apply for adjustment assistance. In such cases, the Secretary is required to certify as eligible to apply, any firm which has shown to the satisfaction of the Secretary that increased imports have caused serious injury or threat thereof to such firm. If an affirmative finding is made by the Tariff Commission on the application of an individual firm for adjustment assistance, the Secretary of Commerce under authority delegated by the President may certify the firm eligible to apply for such assistance.

A firm certified eligible to apply for adjustment assistance may within two years of the date of certification file an application for adjustment assistance and must submit its adjustment proposal giving details of the firm's plan to use the assistance requested. The proposal may be accepted if it is found: (1) to be reasonably calculated to contribute materially to the economic adjustment of the firm, (2) to give adequate consideration to the interests of the workers of such firm, and (3) to demonstrate that the firm will make all reasonable efforts to use its own resources for economic development.

Upon certification of a firm's adjustment proposal, the Secretary is required to refer each certified proposal to the agency or agencies that he determines to be the appropriate ones to render the necessary assistance. If such agencies are unable to provide technical or financial assistance, the Department of Commerce may furnish such assistance.

Three types of assistance -- technical, financial, and tax assistance -- are authorized.

Technical assistance may be provided in preparing a sound adjustment proposal and it may be provided under the certified proposal if it will materially contribute to the economic adjustment of the firm. In approving technical assistance, the Secretary may require the recipient firm to share the cost to the extent he deems appropriate.

Financial assistance may be provided in maturities up to 25 years in the form of guarantees of loans, agreement for deferred participations in loans, or direct loans. To the maximum extent possible, financial assistance is to be provided through agencies furnishing such assistance under other laws. No financial assistance may be provided unless it is determined that it is not otherwise available on reasonable terms from sources other than the U.S. Government. There must also be reasonable assurance of the firm's ability to repay the loan. The Secretary may require security for any financial assistance if he deems it appropriate Any loan or deferred participation under the program must be at an interest rate not less than the greater of 4 percent or a rate determined by the Secretary of the Treasury taking into consideration the current average market yields on outstanding interest-bearing marketable public debt obligations of the United States of maturities comparable to those of loans made under the adjustment assistance program.

Financial assistance may be provided for acquisition, construction, installation, modernization, development, conversion, or expansion of land, plant, buildings, equipment, facilities, or machinery or, in exceptional cases, to supply working capital.

Tax assistance may be given in the form of two additional years to carry back a net operating loss beyond the three years available to all businesses under the Internal Revenue Code. A firm incurring a loss may therefore deduct the loss from taxable income received in the previous five years in which net profits were earned and receive a refund for the amount of the differences between the tax actually paid and the amount that would have been paid on the reduced taxable income. Firms that would benefit from the two additional carryback years would be, for example, those whose profits in the preceding three years did not equal or exceed the loss in the current year but who did have profits in the fourth and fifth preceding years. A firm must apply for tax assistance within 24 months after the close of the taxable year in which it has sustained the net operating loss it wishes to carryback. The Secretary of Commerce must determine that the alleged loss arose predominantly from the carrying on of a trade or business which was found to be seriously injured as a result of increased imports. The Secretary must also determine that the tax assistance will materially contribute to the economic adjustment of the firm and that the proceeds will be used for purposes approved in the certified adjustment proposal.

The anticipated budgetary requirements for adjustment assistance during FY 71 are $12.6 million.

Adjustment Assistance for Workers

I. Trade Expansion Act Requirements

To obtain adjustment assistance under the Trade Expansion Act of 1962, in the case of a firm or group of workers, it must be determined that increased imports were the major factor causing their serious injury (for workers, unemployment or underemployment) and that the increased imports were caused, again in major part, by tariff concessions. The Tariff Commission is responsible for determining whether these criteria are met. In the event of a favorable finding, the Department of Labor has the responsibility for administering the assistance program for workers.

The Department of Labor is responsible for issuing certifications which enable State Employment Security agencies (acting as agents of the Department in administering the program) to decide whether a particular individual is eligible for trade adjustment assistance. The Department's certification is intended to insure that assistance is given to the workers of the group who were dislocated as a result of the specified increase in imports and that assistance is not given to workers dislocated for other reasons.

Operation of Adjustment Assistance Under the Trade Expansion Act of 1962

Since 1962, the Tariff Commission has instituted investigations of 20 petitions for adjustment assistance filed by groups of workers. Favorable determinations were made in 6 cases, negative determinations were made in 7 cases, one petition was withdrawn during the course of the investigation and 6 cases were pending determination as of May 1, 1970. The Department of Labor has issued certifications covering approximately 850-1,000 workers and, as of May 1, individuals have received over $500 thousand in cash benefits.

In addition, one group of workers in the sheet glass industry and one in the piano industry have applied directly to the Secretary of Labor for certification under the terms of the President's action in March 1970 with respect to the "escape clause" petition for the industry.

Benefits Available to Workers

In order to be eligible for adjustment assistance, an individual worker must apply to the local Employment Security Agency office and be found to:

a. be a member of the group specified in the certification;

b. have become unemployed or underemployed after the impact date set in the certification;

c. meet the normal State requirements with regard to availability for work;

d. have been gainfully employed for at least half of the three years immediately preceding his layoffs; and

e. have been employed for at least half of the year preceding layoff in a firm found to have been affected by increased imports.

Eligible individuals receive:

1. Full access to State agency services with regard to counseling, testing, job referral and training programs. When travel to or temporary residence at training locations is required, the adjustment assistance programs provides both travel funds and subsistence allowances.

2. Cash readjustment allowances in place of unemployment insurance. The allowance is equal to 65 percent of the worker's average weekly wage, or to 65 percent of the national average weekly wage in manufacturing, whichever is less ($85 is the maximum, effective April 1970). Allowances are reduced by 50 percent of what a worker may receive for work performed during a given week, and the total of earned income and adjustment allowances may not exceed 75 percent of the worker's average weekly wage.

   Duration of readjustment allowances is normally limited to 52 weeks, but up to 26 additional weeks may be allowed to complete approved training courses and up to 13 additional weeks is paid workers who were over 60 when originally separated. The 52 weeks of allowances need not be used at one time but can be spread over several years.

3. Cash relocation allowances covering basic moving expenses and a cash lump sum payment equivalent to two and a half times the average weekly manufacturing wage are available. A totally

unemployed worker who is the head of a family may receive such payments when there is no suitable job for him in his own area and a suitable job has been found for him, or he has located one himself in another city. The worker must, of course, be willing to move.

Proposed Changes in Labor Department Procedures

The Labor Department is implementing programs to improve ways to provide trade-dislocated workers with the help they need to re-establish themselves in the economy. The goal is not merely to provide cash benefits but to assist the workers to return to stable jobs that offer prospects for advancement.

An "early warning" system has been proposed to provide an alert about industries from which applications for assistance are most likely to come. This would permit advance planning and preparation for all phases of the assistance program and expedite the adjustment process.

The Department is also devising better ways to provide displaced workers with a wider range of training and job opportunities individually tailored to their specific needs. An adjustment team composed of representatives of the employment service, the employer, and the workers would be an integral factor in implementing this.

Private enterprise will be encouraged to lend its talents and energies to advance planning and relocating or retraining displaced workers.

Anticipated Caseload and Costs

On the basis of workers' cases already certified and those which can be clearly anticipated, it is expected that the Labor Department budget for this program will be about $2½ million for the remainder of FY 1970 and about $43 million in FY 1971. The budget will include payment of cash readjustment allowances, training costs and relocation expenses for approximately 18,000 workers from 80-85 plants. These estimates are based primarily on actual or imminent dislocations in the steel, footwear, piano and glass industries. It is recognized that the potential for additional petitions for assistance exists in these and other industries. There have, for example, been direct indications that petitions can be expected from the auto and electronics industries.

The Commission on International Trade and Investment Policy

In his November 18, 1969 message to the Congress on the trade bill, President Nixon declared his intention to appoint a Commission to "examine the entire range of our trade and related policies, to analyze the problems we are likely to face in the 1970's, and to prepare recommendations on what we would do about them." The Commission will be empowered to call upon the Tariff Commission and agencies of the Executive Branch for advice, support and assistance but "its recommendations will be its own."

In his February 1970 report to the Congress on U.S. Foreign Policy for the 1970's, the President restated his intention to establish a Commission on International Trade and Investment Policy to help develop approaches to the "new challenges for U.S. trade policy" as follows:

--<u>Trade and Investment</u>: Foreign investment, symbolized by the multinational corporation, has become increasingly important in relation to the flows of goods which have been the focus of traditional trade policy. We must explore more fully the relationship between our trade and foreign investment policies.

--<u>Trade Adjustment</u>: We must learn how better to adjust our own economy to the dynamic forces of world trade, so that we can pursue our objective of freer trade without unacceptable domestic disruption.

--<u>East-West Trade</u>: We look forward to the time when our relations with the Communist countries will have improved to the point where trade relations can increase between us.

--<u>The European Community</u>: We will watch with great interest the developing relations between the European Community and other nations, some of which have applied for membership. The Community's trade policies will be of increasing importance to our own trade policy in the years ahead.

The terms of reference and prospective membership of the Commission are now under consideration in the White House and a decision is expected soon.

FOR IMMEDIATE RELEASE APRIL 7, 1970

Office of the White House Press Secretary

THE WHITE HOUSE

The President today announced the appointment of Albert L. Williams of Armonk, New York, as Chairman of the President's Commission on International Trade and Investment Policy.

Williams, 59, has been Chairman of the Executive Committee of the Board of Directors of International Business Machines Corporation since 1966.

The President announced his intention to appoint this Commission in his November 18 Trade Message to Congress, in which he submitted his first trade bill to provide a necessary beginning in this field. At that time, he reaffirmed his belief in the principle of freer trade but noted that the world trading situation had changed dramatically and that U.S. trade policy could therefore no longer be viewed in the traditional manner of simply choosing between free trade and protectionism. He has, therefore, charged the Commission to examine the whole range of U.S. trade and related policies, and to recommend any needed changes in them to meet the challenges and problems of the 1970's.

Williams attended Beckley College (W. Va.) from 1928-1930. He then became an accountant for the Commonwealth of Pennsylvania and joined IBM as a student sales representative in 1936. He became a sales representative in 1937 and comptroller of the corporation in 1942. Williams became treasurer in 1947 and a vice president in 1948. In 1951 he became a Director of IBM and served as Executive Vice President from 1954 until 1961 when he was made President, the position he held prior to assuming his present title.

STATISTICS

U.S. MERCHANDISE-- EXPORTS, IMPORTS, AND TRADE BALANCE, 1960-1969

(In billions of dollars)

Year	U.S. exports, excluding military grant shipments[1]	Year-to-year percent change	U.S. general imports[1]	Year-to-year percent change	Merchandise balance (Col. A minus Col. B)	Merchandise exports financed by AID and P.L.-480 programs	Excluding military grant shipments and merchandise exports financed by AID and P.L.-480 programs: U. S. exports (Col. A minus Col. D)	Excluding military grant shipments and merchandise exports financed by AID and P.L.-480 programs: Merchandise balance (Col. E minus Col. B)
	(A)		(B)		(C)	(D)	(E)	(F)
1969	37.3	+ 9.4	36.1	+ 8.7	+1.3	2.0[2]	35.3[2]	- 0.8[2]
1968	34.1	+10.0	33.2	+23.4	+0.8	2.2	31.8	- 1.4
1967	31.0	+ 5.1	26.9	+ 5.1	+4.1	2.5	28.5	+ 1.6
1966	29.5	+10.1	25.6	+19.6	+3.9	2.5	27.0	+ 1.4
1965	26.8	+ 3.9	21.4	+14.4	+5.3	2.5	24.3	+ 2.9
1964	25.8	+14.7	18.7	+ 8.7	+7.1	2.7	23.1	+ 4.4
1963	22.5	+ 7.1	17.2	+ 4.2	+5.3	2.6	19.9	+ 2.7
1962	21.0	+ 3.4	16.5	+11.5	+4.5	2.3	18.7	+ 2.2
1961	20.2	+ 2.5	14.8	- 2.0	+5.5	1.9	18.3	+ 3.5
1960	19.7		15.1		+4.6	1.7	17.9	+ 2.8

1/ Includes U.S. sales and purchases of military equipment.

2/ Estimated.

Source: Department of Commerce

U.S. Exports Excluding [illegible], 19[illegible] and 19[illegible]

([illegible])

Year	Total U. S. exports	Foreign Assistance Act: Military programs[1]	Foreign Assistance Act: AID loans and grants[1]	Public Law 480	Exports, excluding MAP, AID and PL 480 shipments
19[illegible]……	20,[illegible]	9[illegible]	4[illegible]	1,30[illegible]	17,[illegible]
19[illegible]4……	2[illegible],[illegible]	[illegible]	1,0[illegible]	1,[illegible]	[illegible]
19[illegible]……	27,[illegible]	77[illegible]	1,1[illegible]	1,[illegible]	[illegible]
19[illegible]……	30,4[illegible]	[illegible]	1,1[illegible]	1,[illegible]	[illegible]
1967……	31,[illegible]	[illegible]	1,[illegible]	1,[illegible]37	[illegible],4[illegible]
1968……	34,[illegible]	[illegible]	1,0[illegible]	1,1[illegible]	31,[illegible]
19[illegible]……	37,[illegible]	[illegible]	[1]1,[illegible]	1,01[illegible]	3[illegible],[illegible]

[1] Estimated.

SOURCE: Department of Commerce

Major U.S. Commodities Exported Under AID Programs
and Major Recipient Countries, 1968

	Millions of dollars
Total	[1] 1,056
Major commodities	
Machinery and equipment	279
Fertilizers	106
Other chemicals	132
Iron and steel mill products	107
Transport equipment	91
All other 1/	341
Major recipient countries	
India	260
Vietnam, Republic of	145
Brazil	128
Pakistan	116
Korea, Republic of	79
Colombia	78
Turkey	70
Chile	30
Indonesia	28
Dominican Republic	11
All other	111

1/ Excludes agricultural commodities financed under PL 480.

SOURCE: Department of Commerce

Agricultural Exports Shipped under PL-480 Programs, 1968

Country	Million dollars	Commodity	Million dollars
Total...........	1,177	Total..........	1,177
India.................	342	Wheat................	486
Viet-Nam, Rep. of.....	140	Rice.................	144
Pakistan.............	99	Cotton...............	116
Korea, Rep. of........	99	Soybean oil..........	85
Indonesia............	90	Wheat flour..........	79
Morocco..............	46	Dry milk.............	67
Brazil...............	44	Grain sorghums.......	38
Israel...............	35	Tobacco..............	30
Taiwan...............	26	Corn.................	16
Tunisia..............	25	All other...........	116
Chile................	21		
All other (incl. unallocated).........	208		

SOURCE: Department of Commerce

U.S. Trade with Major Regions, 1960 and 1964-69

(Values in millions of dollars)

Area	1960	1964	1965	1966	1967	1968	1969	Percent change from 1960 to 1969
Exports, total......	20,608	26,650	27,530	30,430	31,622	34,636	37,988	+ 84
Developed countries, total..................	13,281	17,343	18,366	20,120	21,467	23,600	26,458	+ 99
Canada.....................	3,812	4,921	5,658	6,679	7,172	8,072	9,138	+ 140
Western Europe............	7,229	9,222	9,257	9,891	10,187	11,132	12,370	+ 71
EEC....................	3,992	5,309	5,256	5,529	5,667	6,127	6,981	+ 75
EFTA....................	2,529	2,873	2,906	3,109	3,395	3,877	4,029	+ 59
United Kingdom.......	1,492	1,600	1,643	1,782	2,001	2,289	2,335	+ 57
Japan......................	1,452	2,018	2,084	2,370	2,699	2,954	3,490	+ 140
Australia, New Zealand, and South Africa..........	789	1,181	1,368	1,181	1,409	1,442	1,460	+ 85
Developing countries, total..................	7,132	8,967	9,023	10,112	9,960	10,821	11,281	+ 58
19 Latin American Republics	3,351	3,832	3,788	4,231	4,124	4,699	4,869	+ 45
CACM....................	216	322	341	361	357	366	353	+ 63
LAFTA..................	2,978	3,257	3,224	3,623	3,509	4,059	4,203	+ 41
Other Western Hemisphere...	523	460	486	537	594	640	707	+ 35
Near East.................	683	971	989	1,112	960	1,094	1,344	+ 97
East and South Asia........	2,207	3,092	3,100	3,447	3,557	3,582	3,498	+ 58
Africa.....................	354	586	633	758	690	765	818	+ 131
Communist areas.........	194	340	140	198	195	215	249	+ 28
General imports, total.............	15,073	18,749	21,429	25,618	26,889	33,226	36,052	+ 139
Developed countries, total..................	8,973	11,924	14,101	17,632	18,993	24,130	26,465	+ 195
Canada.....................	3,173	4,265	4,858	6,152	7,140	9,005	10,390	+ 227
Western Europe............	4,188	5,209	6,155	7,679	8,052	10,132	10,140	+ 142
EEC....................	2,264	2,829	3,322	4,125	4,454	5,885	5,800	+ 156
EFTA....................	1,661	2,029	2,431	3,050	2,975	3,548	3,655	+ 120
United Kingdom.......	993	1,143	1,405	1,786	1,711	2,058	2,121	+ 114
Japan......................	1,149	1,768	2,414	2,963	2,999	4,054	4.888	+ 325
Australia, New Zealand, and South Africa..........	463	682	675	839	803	931	1,047	+ 126
Developing countries, total..................	5,997	6,711	7,174	7,795	7,709	8,836	9,377	+ 56
19 Latin American Republics	3,198	3,558	3,703	4,003	3,878	[illegible]	4,214	+ 32
CACM....................	183	239	283	308	302	343	368	+ 101
LAFTA..................	2,853	3,127	3,229	3,481	3,344	3,685	3,577	+ 25
Other Western Hemisphere...	793	627	696	734	[illegible]	855	951	+ 20
Near East.................	344	355	392	403	308	388	383	+ 11
East and South Asia........	1,265	1,509	1,735	1,925	[illegible]	2,499	[illegible]	+ 140
Africa.....................	395	651	635	713	666	834	764	+ 93
Communist areas........	84	103	141	183	180	200	198	+ [illegible]

U.S. Trade with Major Regions, 1960 and 1964–69

(Values in millions of dollars)

Area	1960	1964	1965	1966	1967	1968	1969
Trade balance, total	+5,536	+7,901	+6,101	+4,812	+4,733	+1,410	+1,936
Developed countries, total	+4,308	+5,419	+4,265	+2,488	+2,474	- 530	- 7
Canada	+ 639	+ 656	+ 800	+ 527	+ 32	- 933	-1,252
Western Europe	+3,041	+4,013	+3,102	+2,212	+2,135	+ 993	+2,230
EEC	+1,728	+2,480	+1,934	+1,404	+1,213	+ 242	+1,181
EFTA	+ 868	+ 844	+ 475	+ 59	+ 420	+ 329	+ 374
United Kingdom	+ 492	+ 457	+ 238	- 4	+ 290	+ 231	+ 214
Japan	+ 303	+ 250	- 330	- 593	- 300	-1,100	-1,398
Australia, New Zealand, and South Africa	+ 326	+ 499	+ 693	+ 342	+ 606	+ 511	+ 413
Developing countries, total	+1,135	+2,256	+1,849	+2,317	+2,251	+1,935	+1,904
19 Latin American Republics	+ 153	+ 274	+ 85	+ 328	+ 246	+ 411	+ 655
CACM	+ 33	+ 83	+ 58	+ 53	+ 55	+ 23	- 15
LAFTA	+ 125	+ 130	- 5	+ 142	+ 165	+ 374	+ 626
Other Western Hemisphere	- 270	- 167	- 210	- 197	- 190	- 215	- 244
Near East	+ 339	+ 616	+ 597	+ 709	+ 652	+ 706	+ 961
East and South Asia	+ 942	+1,583	+1,365	+1,527	+1,503	+1,083	+ 458
Africa	- 41	- 65	- 2	+ 45	+ 24	- 69	+ 54
Communist areas	+ 113	+ 237	- 1	+ 15	+ 15	+ 15	+ 51

U.S. Trade with Canada, by Major Products
1965 and 1969

(Millions of dollars)

Commodity	1965	1969
Exports, total	5,653	9,138
Domestic exports, excluding "special category"	5,499	8,943
Agricultural commodities, total	620	710
Grains and preparations	148	150
Fruits, nuts, and vegetables	185	222
Other agricultural commodities	287	338
Nonagricultural commodities, total	4,879	8,233
Coal and coke	154	160
Chemicals	382	510
Iron and steel-mill products	197	282
Metal manufactures[1]	194	251
Engines and other power generating machinery[1]	172	178
Tractors and parts; agricultural machinery	330	305
Electronic computers and office machines	77	177
Other nonelectrical machinery[1]	737	983
Electrical apparatus[1]	343	543
Trucks, buses, and chassis	45	250
Passenger cars	114	749
Automotive parts, including engines	700	1,783
Aircraft parts and commercial aircraft	57	217
Professional, scientific, and controlling instruments[1]	114	177
Other nonagricultural commodities	1,263	1,668
Reexports and "special category" exports	159	195
General imports, total	[2]4,853	10,390
Foods, feeds, and beverages, total	468	576
Industrial supplies and materials, total	3,373	4,739
Crude petroleum	276	520
Natural gas	97	187
Wood pulp	363	482
Newsprint	762	904
Industrial chemicals	57	75
Fertilizers	102	142
Lumber	344	574
Iron ore	264	220
Iron and steel	105	183
Nonferrous ores and metals	528	748
Capital goods, including trucks and buses, total	460	1,389
Electrical machinery	67	154
Nonelectrical industrial machinery and components	108	222
Farm tractors and machinery, and parts	159	200
Trucks, buses, and special purpose vehicles	24	680
Consumer goods, including automobiles and parts, total	304	3,023
Passenger cars	84	1,828
Automotive parts	139	959
Other imports	322	561

[1] Excludes automotive parts.
[2] Commodity data as adjusted by the Office of Business Economics.

U.S. Trade with the European Economic Community
by Major Products, 1965 and 1969

(Millions of dollars)

Commodity	1965	1969
Exports, total	5,256	6,981
Domestic exports, excluding "special category"	4,912	6,669
Agricultural commodities, total	1,477	1,269
Corn	342	221
Animal feeds	139	237
Unmanufactured tobacco	106	149
Soybeans	226	277
Cotton	76	27
Other agricultural commodities	588	358
Nonagricultural commodities, total	3,433	5,400
Metal ores and scrap	77	219
Coal	201	135
Chemicals	555	828
Iron and steel-mill products	42	146
Copper and aluminum	139	192
Engines and other power generating machinery	132	182
Electronic computers and parts	83	256
Paper and manufactures	71	137
Other nonelectrical machinery	568	824
Electrical apparatus	316	492
Aircraft parts and commercial aircraft	219	484
Professional, scientific, and controlling instruments	106	158
Other nonagricultural commodities	924	1,347
Reexports and "special category" exports	344	314
General imports, total	[1]3,322	5,800
Foods, feeds, and beverages, total	226	338
Whisky and other alcoholic beverages	84	137
Industrial supplies and materials, total	1,173	1,703
Fabrics and twine	98	128
Industrial chemicals	121	224
Iron and steel	464	621
Finished metal and advanced metal manufactures	61	95
Capital goods, including trucks and buses, total	451	967
Electrical machinery	61	134
Nonelectrical industrial machinery and components	237	522
Business machines and computers	64	129
Consumer goods, including automobiles and parts, total	1,340	2,546
Passenger cars	435	1,025
Automotive parts and engines	50	106
Wearing apparel	143	182
Footwear	65	224
Other consumer durables	414	669
Other imports	153	246

[1] Commodity data as adjusted by the Office of Business Economics.
SOURCE: Department of Commerce

U.S. Trade with the Federal Republic of Germany by Major Products, 1965 and 1969

(Millions of dollars)

Commodity	1965	1969
Exports, total	1,650	2,118
Domestic exports, excluding "special category"	1,487	1,940
Agricultural commodities, total	434	393
Corn	56	36
Unmanufactured tobacco	64	90
Soybeans	76	76
Cotton	20	5
Other agricultural commodities	218	186
Nonagricultural commodities, total	1,053	1,547
Ores and metal scrap	27	73
Coal	44	36
Chemicals	127	177
Paper and manufactures	31	53
Nonferrous metals	58	108
Electronic computers and parts	34	120
Other nonelectrical machinery	206	252
Electrical apparatus	98	163
Aircraft parts and commercial aircraft	112	129
Other nonagricultural commodities	316	436
Reexports and "special category" exports	163	178
General imports, total	1,341	2,603
Foods, feeds, and beverages, total	27	41
Industrial supplies and materials, total	362	619
Man-made filaments and yarns	16	42
Industrial chemicals	66	140
Iron and steel	137	230
Capital goods, including trucks and buses, total	267	523
Electrical machinery	32	68
Nonelectrical industrial machinery and components	171	346
Consumer goods, including automobiles and parts, total	635	1,306
Passenger cars	395	870
Automotive parts and engines	37	91
Other consumer durables	143	247
Other imports	53	85

SOURCE: Department of Commerce

U.S. Trade with Japan by Major Products
1965 and 1969

(Millions of dollars)

Commodity	1965	1969
Exports, total	2,084	3,490
Domestic exports, excluding "special category"	2,045	3,427
Agricultural commodities, total	876	934
Wheat	109	119
Corn	138	191
Grain sorghums	70	87
Soybeans	153	200
Cotton	127	55
Other agricultural commodities	279	282
Nonagricultural commodities, total	1,169	2,493
Logs	68	246
Metal ores and scrap	135	214
Coal	77	244
Chemicals	148	304
Nonferrous metals	31	100
Electronic computers and parts	31	91
Other nonelectric machinery	200	391
Electrical apparatus	71	162
Aircraft parts and commercial aircraft	97	141
Other nonagricultural commodities	311	600
Reexports and "special category" exports	39	63
General imports, total	1/ 2,414	4,888
Foods, feeds, and beverages, total	93	137
Industrial supplies and materials, total	1,012	1,549
Fabrics and twine	166	217
Industrial chemicals	32	87
Building materials, other than metals	91	120
Iron and steel	531	836
Capital goods, including trucks and buses, total	171	613
Electrical machinery	88	223
Nonelectrical industrial machinery and components	41	209
Business machines and computers	5	73
Consumer goods, including automobiles and parts, total	1,106	2,523
Passenger cars	25	303
Automotive parts and engines	7	120
Apparel; textile household goods	159	268
Leather and rubber footwear and related goods	63	116
Metal cookware, cutlery, and other household wares	56	112
Radios and TV sets	159	493
Other electrical household appliances	114	269
Other imports	43	66

1/ Commodity data as adjusted by the Office of Business Economics.

U.S. Trade by Economic Classes, 1960 and 1964-69

Economic Class	1960	1964	1965	1966	1967	1968	1969	Percent change from 1960 to 1969
				Values in millions of dollars				
Domestic exports,								
total..............	20,408	26,297	27,187	29,974	31,238	34,199	37,444	+ 83
Crude foods............	1,645	2,540	2,587	3,198	2,595	2,334	2,096	+ 27
Manufactured foods.....	1,117	1,687	1,590	1,562	1,596	1,671	1,782	+ 60
Crude materials........	2,585	2,897	2,888	3,143	3,293	3,467	3,476	+ 34
Semimanufactures.......	3,587	4,226	4,114	4,368	4,489	5,117	5,774	+ 61
Finished manufactures...	11,473	14,947	16,008	17,703	19,265	21,609	24,317	+ 112
Imports, total[1]	15,069	18,749	21,429	25,618	26,889	33,226	36,052	+ [illegible]
Crude foods............	1,760	2,034	2,008	2,117	1,981	2,294	2,141	+ [illegible]
Manufactured foods.....	1,566	1,819	1,877	2,309	2,518	2,882	3,043	+ 94
Crude materials........	3,050	3,528	3,709	3,894	3,701	4,012	4,121	+ 35
Semimanufactures.......	3,471	4,001	4,964	5,620	5,592	7,141	6,774	+ 95
Finished manufactures...	5,262	7,366	8,871	11,678	13,091	16,597	19,913	+ 280
				Percent of total				
Domestic exports,								
total..............	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Crude foods............	8.1	9.7	9.5	10.6	8.3	6.8	5.6	
Manufactured foods.....	5.5	6.4	5.8	5.3	5.1	4.9	4.8	
Crude materials........	12.7	11.0	10.6	10.5	10.5	10.1	9.3	
Semimanufactures.......	17.6	16.1	15.1	14.6	14.4	15.0	15.4	
Finished manufactures...	56.2	56.8	58.9	59.0	61.7	63.2	65.0	
Imports, total[1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Crude foods............	11.4	10.9	9.4	8.3	7.4	6.9	5.9	
Manufactured foods.....	10.4	9.7	8.8	9.0	9.4	8.7	8.4	
Crude materials........	20.2	18.8	17.3	15.2	13.8	12.1	11.4	
Semimanufactures.......	23.0	21.3	23.2	21.9	20.8	21.5	18.8	
Finished manufactures...	34.9	39.3	41.4	45.6	48.7	50.9	55.4	

Note: Data may not add due to rounding.

[1] Data [illegible] imports for [illegible] for 1960 [illegible] general imports for 1964 and following years.

SOURCE: Department of Commerce

U.S. Share of Free-World Exports, 1950-69

Year	Free-world exports ($ billions)	U.S. share of free-world exports 1/ (Percent)
1950	56	21.9
1951	76	23.1
1952	73	24.3
1953	74	25.0
1954	77	22.6
1955	84	21.4
1956	94	23.7
1957	100	24.0
1958	96	21.8
1959	102	20.6
1960	113	21.0
1961	119	20.3
1962	125	20.0
1963	136	19.7
1964	153	19.9
1965	165	19.1
1966	181	19.5
1967	191	19.3
1968	213	19.3
1969	243	18.4

1/ Excluding exports to the United States.

U.S. Share of Selected Foreign Country Import Markets

Area and country	Imports from the United States as percent of total imports						
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	69	67	70	72	72	73	73
19 Latin American Republics[2]	43	45	43	42	[illegible]	...	...
Central American Common Market	45	43	41	41	40	40	...
Costa Rica	45	47	40	37	39	33	...
El Salvador	35	35	31	33	31	29	...
Guatemala	40	44	42	42	41	41	...
Honduras	47	45	47	50	45	46	...
Nicaragua	48	47	[illegible]	45	43	38	...
Latin American Free Trade Association[2]	42	47	44	44	42	...	...
Argentina	25	24	23	23	22	23	...
Bolivia	40	51	44	41	41	45	...
Brazil	31	35	33	37	34	32	...
Chile	35	37	39	37	32	39	...
Colombia	52	48	48	43	45	50	...
Ecuador	45	46	41	39	39	35	...
Mexico	69	69	66	64	63	63	...
Peru	37	42	[illegible]	39	37	39	...
Venezuela	54	53	51	50	51	51	...
Dominican Republic	50	[illegible]	54	47	55	55	...
Panama	46	43	42	41	40	35	...
Bahamas	59	62	...	...	69	63	...
Jamaica	34	31	31	[illegible]	39	33	...
Western Europe[2]	11	11	11	11	10	10	...
European Economic Community	12	12	12	11	11	10	...
Belgium and Luxembourg	9	9	9	8	8	8	6
France	10	11	[illegible]	[illegible]	10	9	8
Germany, Western	15	14	13	13	[illegible]	[illegible]	[illegible]
Italy	14	14	[illegible]	12	[illegible]	[illegible]	[illegible]
Netherlands	11	11	10	11	11	11	10
Austria	5	5	4	4	4	3	3
Denmark	9	9	9	8	9	8	8
Norway	7	8	7	8	6	8	8
Portugal	9	10	8	8	7	7	[illegible]
Sweden	10	10	10	9	9	9	9
Switzerland	9	9	8	9	8	9	8
United Kingdom	10	11	12	[illegible]	12	13	14
Finland	6	6	6	6	5	4	5
Greece	10	11	10	11	8	8	[illegible]
Ireland	6	8	8	9	6	7	[illegible]
Spain	16	16	17	17	17	17	17
Turkey	31	[illegible]	[illegible]	[illegible]	[illegible]	16	[illegible]
Yugoslavia	18	13	[illegible]	13	7	5	[illegible]
Iran	17	15	18	[illegible]	[illegible]	[illegible]	[illegible]
Israel	23	[illegible]	[illegible]	[illegible]	[illegible]	23	[illegible]
Kuwait	20	[illegible]	20	[illegible]	[illegible]	17	...
Lebanon	10	12	12	[illegible]	13	...	...
U.A.R. (Egypt)	[illegible]	[illegible]	[illegible]	[illegible]	9	6	...
Japan	31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	11	12	11	11	14	14	13
India	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	...
Korea, Republic	[illegible]	[illegible]	[illegible]	[illegible]	31	31	[illegible]
Pakistan	43	[illegible]	35	[illegible]	33	[illegible]	[illegible]
Philippines	42	40	34	[illegible]	[illegible]	[illegible]	[illegible]
Taiwan	42	33	[illegible]	[illegible]	31	[illegible]	[illegible]
Thailand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	...
Vietnam, Republic	[illegible]	[illegible]	[illegible]	42	[illegible]	[illegible]	...
Australia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Congo, ([illegible])	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	...	...
Nigeria	9	11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa, Republic of	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	...

[1] [illegible]

Prepared in the
Bureau of International Commerce
U.S. Department of Commerce
March [illegible]

U.S. and Major Competitors' Shares of World Exports of Manufactures, 1960 and 1964-69

Year	U. S. exports	United States	France	Fed. Rep. of Germany	Italy	United Kingdom	Japan
	(Millions of dollars)	(Percent of world exports to foreign markets[1])					
1964...........	16,945	23.8	8.8	19.1	6.1	13.2	6.3
1965...........	17,469	22.7	8.9	18.9	6.6	13.1	7.1
1966...........	19,[illegible]4	22.8	8.8	19.3	6.8	12.5	7.4
1967...........	20,861	23.2	8.8	19.6	6.9	11.6	7.6
1968...........	23,893	23.5	8.6	19.4	7.3	10.8	8.1
Jan.-Sept. 1969[2]	19,693	22.3	8.6	19.4	7.5	10.7	8.4

Note: The term "manufactures" refers to chemicals, machinery, transport equipment, and other manufactures except mineral fuel products, processed food, fats, oils, firearms of war and ammunition.

[1] World exports are defined as exports from the 14 major industrial countries. The nations, which account for approximately four-fifths of world exports of manufactures to foreign markets, are as follows: United States, Austria, Belgium-Luxembourg, Canada, Denmark, France, Federal Republic of Germany, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom, and Japan. Exports to foreign markets are total exports excluding exports to the United States.

[2] Adjusted for seasonal variation.

SOURCE: Department of Commerce

U. S. Exports and Imports in Relation
to Gross National Product, 1960 and 1964-69

(Values in millions of dollars)

Year	GNP	Percent Change	Domestic Exports[1]	Exports as percent of GNP	General imports	Imports as percent of GNP
1960	503,700		20,408	4.1	15,073	3.0
1961	520,100	3.3	20,792	4.0	14,761	2.8
1962	560,300	7.7	21,444	3.8	16,464	2.9
1963	590,500	5.4	23,102	3.9	17,207	2.9
1964	632,400	7.1	26,297	4.2	18,749	3.0
1965	684,900	8.3	27,187	4.0	21,429	3.1
1966	749,900	9.5	29,994	4.0	25,618	3.4
1967	793,500	5.8	31,238	3.9	26,889	3.4
1968	865,700	9.1	34,199	4.0	33,226	3.8
1969	932,100	7.7	37,444	4.0	36,052	3.9

[1]Including military grant-aid

Major Foreign Countries' Exports and Imports
in Relation to Gross National Product, 1960 and 1964-69

(Percent of GNP)

Country	1960	1964	1965	1966	1967	1968	1969
				Exports			
United States	4.1	4.2	4.0	4.0	3.9	4.0	4.0
Canada	15.0	17.5	16.7	17.6	18.1	19.8	19.8
France	11.2	9.7	10.1	10.1	9.8	10.0	10.8
Germany, Fed. Rep. of	16.1	15.7	15.8	16.8	18.0	18.8	19.2
Italy	10.8	11.3	12.6	12.6	12.5	13.6	14.5
United Kingdom	14.7	13.7	13.7	13.8	13.1	15.1	(1)
Japan	9.4	8.3	9.6	9.6	8.7	9.1	9.6
				Imports			
United States	3.0	3.0	3.1	3.4	3.4	3.8	3.9
Canada	14.9	15.4	16.0	16.7	16.9	17.6	18.5
France	10.3	10.9	10.4	11.0	10.7	11.0	12.5
Germany, Fed. Rep. of	14.3	14.1	15.5	15.0	14.3	15.2	16.5
Italy	14.0	13.7	12.9	13.5	14.1	13.7	15.4
United Kingdom	18.1	17.1	16.1	15.6	16.1	18.5	(1)
Japan	10.4	9.9	9.2	9.4	9.8	9.2	9.0

[1] Not available.
Source: Official data of listed countries.

EMPLOYMENT AND FOREIGN TRADE

Any examination of U.S. employment in the last few years must keep in mind the basic economic conditions prevailing during this period. In particular, the years 1966 through 1969 represent a period of high and increasing economic activity due, in part, to a strong investment boom and increased defense expenditures related to the Vietnam buildup. During this period civilian employment increased by 5 million jobs from 72.9 million in 1966 to 77.9 million in 1969. At the same time the unemployment rate dropped from 3.8 percent to 3.5 percent of the civilian labor force. In March 1970, civilian employment reached 78.0 million while the unemployment rate rose to 4.4 percent.

U.S. exports and imports both are small relative to the size of the total economy--each represents less than 4 percent of GNP--but are integral elements in the structure of production in the U.S. Further development of foreign trade is necessary for continued, balanced economic growth. For example, some imports are necessary either because the items are not produced in the U.S. or are produced in insufficient quantities relative to domestic needs. Further, imports and exports are related in that imports of the U.S. provide other countries with the wherewithall to buy U.S. exports, and vice versa. Both U.S. exports and imports of the U.S. increased substantially during the 1966-69 period along with other demands upon the economy.

The strong increase in demand in the U.S. and for U.S. exports from 1966 to 1969 was accompanied by growing inflationary pressures. These pressures, along with the effect of certain supply shortages induced by existing or prospective strikes, stimulated the demand for imports, particularly in 1968 and 1969. Without the increased imports which helped to meet the rising demand for goods, it is reasonable to assume that inflationary pressures on domestic markets would have been even stronger.

The number of jobs attributable to the export of merchandise in the U.S. economy is estimated by the Bureau of Labor Statistics to have increased from about 2.5 million in 1966 to nearly 2.7 million by 1969. The estimates of employment related to the export of merchandise, in total and by major types, for 1966 and 1969 are presented in table 1. The estimates of jobs attributable to exports include both the direct employment necessary to produce the item exported and also the indirect labor necessary for all supplies, materials, and services incorporated in the exported item. The labor involved in the transportation and handling of the exported item also is included.

From 1966 to 1969 the employment attributable to exports of merchandise increased by an estimated 200,000 jobs. As a proportion of total jobs in the private sector (excluding households), export related jobs remained steady at 3.8 percent during the 1966-69 period. During this period, however, there was a significant shift in the distribution of export related employment attributable to the major types of merchandise exports for which estimates were made. The number of jobs related to exports of nonagricultural goods, particularly manufactured items, increased substantially from 1966 to 1969 while the number of jobs related to the export of agricultural goods declined. The decline of nearly 31 percent in export jobs in the agricultural sector during this period is due both to a decrease of 19 percent in the value of agricultural exports and the agricultural components of nonagricultural exports and a 16 percent increase in productivity in the agricultural industries.

It is far more difficult, both conceptually and statistically, to estimate the level of employment related to imports. In relating employment to exports, the task is to measure those jobs involved in producing the exported goods. In the case of imports, there are no domestic jobs involved in producing the goods. Rather, the task is to estimate the employment that might take place, assuming other factors are constant, in the event that these imports were produced in the U.S. Of course, since imports in the U.S. are the exports of other countries, the employment effect in the other countries could be estimated in the same way that the employment effect of U.S. exports have been estimated, provided the proper data were available. But the effect of a reduction in imports on employment in the U.S. is altogether a different matter.

Another complicating factor is that not all imports are of the same character. First, there is the fact that some imported products are not produced in the U.S. e.g., coffee, cocoa, chromite, and tea. Conceivably, with a sufficient expenditure of effort and resources, it might be possible to produce some of them domestically, but the amount of employment created is a speculative matter of no practical interest.

Next, there are imports of certain types of goods that are comparable to domestic goods but are in short supply in the U.S., such as asbestos, bauxite, and newsprint. To expand production of these items sufficiently to replace these imports would, again, require a very large investment of capital and labor. It is not at all clear that the real costs of their production--in terms of the labor and other resources required--would be equivalent to their present real costs. For if the costs of expanding domestic production to replace such imports were higher, their prices would also be higher and the utilization of such more costly goods might be reduced substantially. Hence, the number of jobs that theoretically might be created in the U.S. by the reduction or elimination of this type of imports is not easy to estimate. Any estimate that simply assumes present costs to remain the same is certain to be seriously in error.

Finally, in a third category of imports are those items most nearly comparable to domestic products 1/. Some of these imports are necessary to supplement domestic production, e.g., wood pulp and iron ore; others are more directly competitive, e.g. wool cloth and sheet glass. Conceivably, the imports of these items could be replaced by domestic output. Prices probably would be somewhat higher and utilization somewhat lower, but an assumption that costs, prices, and utilization of these products would remain the same as if they were imported is not so unrealistic as in the previous categories discussed.

1/ Although most imports can be classified into one of the three categories described in the text, a few items cannot be allocated properly to any of these categories. Included in this group are such items as U.S. goods returned without processing, low value items (less than $250), and original paintings and antiques. The combined value of the items in this group is about 4.5 percent of the total value of U.S. imports for consumption.

Estimates of the number of jobs required to produce domestically those imports considered most nearly comparable to U.S. products have been prepared for 1966 and 1969. However, it is important to keep in mind that any estimate of the hypothetical number of jobs that would be required to produce a given volume of imports does not represent jobs lost or jobs which would exist in the absence of such imports. For example, without a concerted effort to reallocate resources which would be necessary to produce imports domestically, the U.S. would not have found the number of people with the requisite skills, nor the necessary facilities, in 1969 to produce such goods. Rather, the effort to replace imports with domestic products would have placed additional stress on the economy and heightened even further the inflationary pressures. An additional factor limiting the substitution of domestic products for imports is the preferences of consumers for certain imported items, e.g., cognac and French perfume.

A further complication in measuring the employment effects of replacing imports with domestic products is that some imported items have embodied materials or components which are exports of the United States, e.g., the automobiles imported from Canada which incorporate automotive parts exported from the U.S., imported transistorized appliances which include exported electronic components, and imported textiles which contain exported cotton. The employment that would be created by the domestic production of imported items which contain U.S. exports would be offset, in part, by the loss of employment related to the exports of the materials or components. Thus, while an overall guide to the probable employment effects of a change in imports can be obtained from estimates of the type presented here, any conclusion as to job loss would require information on all of the factors affecting employment opportunities in a specific industry or location.

In considering the possible jobs required to produce imports, the Bureau of Labor Statistics has considered only those items most nearly comparable with domestic products 2/. On this basis, it has been estimated that about 1.8 million jobs would have been required to produce such imports in the U.S. in 1966 and about 2.5 million in 1969, with two-thirds of

---

2/ Excepting the limited number of items discussed in footnote 1 which were not allocated according to comparability with domestic products.

the increase during the period concentrated in the manufacturing sector. The estimates of employment which would have been required to produce such imports in the U.S., in total and by major types, are presented in table 1. As with exports, the employment estimates include both the direct employment necessary to produce the item and the indirect labor necessary for all supplies, materials, and services incorporated in the imported item. These estimates do not take into account the jobs which are dependent on imports, such as longshore activities in unloading imports, movement of imported goods on U.S. cargo vessels and processing of imports of crude materials. Since the elimination of these imports would eliminate these related jobs, the net effect on employment would be smaller than is indicated by the figures above. Estimates of the net effect are not available. Nor are estimates available for the number of jobs that would have been required to furnish the value of import-related services such as those provided to American visitors abroad or payments by Americans to foreign transport carriers.

In an attempt to identify particular industries which may have suffered employment losses because of imports, the employment trends were examined in each of the 190 manufacturing industries for which the Bureau of Labor Statistics maintains a series. Between 1965 and 1969, 153 of these industries had stable or increasing employment and only 37 were found to have experienced employment declines. In 11 of the 37 industries where employment declined during this period either imports were less than one percent of total supply--in some industries there were no imports--or the level of imports declined between 1965 and 1969. In the remaining 26 industries the employment decline ranged from a high of 17,000 (SIC 2421, Sawmills and Planing Mills) to a small decline of 400 workers (SIC 2361, Children's Dresses and Blouses). The total employment decline between 1965 and 1969 for all 26 industries was 117,000 workers or about 0.6 of one percent of total manufacturing employment. During the same period total manufacturing employment increased by two million jobs.

Some tentative conclusions can be drawn from a comparison of the estimates of employment related to the merchandise exports of the U.S. and the estimates of employment required to produce domestically items substitutable for U.S. imports. In 1969, the total employment attributable to merchandise exports is slightly greater than the employment that would be required to produce such imports in the U.S., although the difference has sharply diminished since 1966. With respect to employment related to foreign trade in the agricultural sector, the U.S. holds a distinct advantage; only about 5 percent of the total U.S. agricultural labor force would have been required to produce imports of items comparable to domestic products in 1969 while over 9 percent was related to U.S. exports. However, while the level of employment related to these agricultural imports was only about one-third that of exports in 1966, it has shown an increase over the 1966-69 period while export related agricultural employment peaked in 1966 and has declined.

In manufacturing, the employment which would have been required in the U.S. to produce comparable or substitutable imports in 1969 is somewhat higher than that related to U.S. exports--1.6 million as opposed to 1.4 million--and represents a reversal of relative positions since 1966. Jobs in the manufacturing sector attributable to exports and those required to produce comparable imports domestically both increased over the 1966-69 period, but the rate of increase was substantially faster for employment related to imports.

Finally, in the nonmanufacturing area, the jobs related to exports were somewhat higher than those which would be required to produce substitutable imports. However, for both exports and imports, the related employment comprised 2 percent or less of total nonmanufacturing employment.

These estimates, of course, cannot indicate the number of workers actually displaced because of imports nor the number that would become unemployed if exports ceased. The development of exact numbers would require a disentangling of all the factors which contribute to employment change, such as change in demand, technology, productivity, occupational shifts, and geographic relocation of industries. The estimates do provide some insight into the balance between the jobs gained as a result of merchandise exports and jobs which would have been created if imports of products comparable to items produced domestically were made in the U.S. The estimates indicate that, in the aggregate, the number of export related jobs have exceeded the job equivalent of substitutable imports but the margin has been narrowing until, in 1969, the difference was about 130,000 jobs.

Table 1. Employment Related to Foreign Trade, 1966 and 1969
(Employment in thousands)

	Employment Related to Merchandise Exports				Employment Required to Produce Imports[1]				Total Private Employment (Excluding Households)	
	Number		As a Percent of Total Private Employment (Excluding Households)		Number		As a Percent of Total Private Employment (Excluding Households)			
	1966	1969 (Prelim)	1966	1969	1966	1969 (Prelim)	1966	1969	1966	1969 (Prelim)
Total	2,464	2,663	3.8	3.8	1,824	2,538	2.8	3.7	65,183	69,498
Agricultural	471	327	11.9	9.1	159	187	4.0	5.2	3,963	3,584
Nonagricultural	1,993	2,336	3.3	3.5	1,665	2,351	2.7	3.6	61,220	65,914
Manufacturing	1,203	1,432	6.1	7.0	1,124	1,600	5.7	7.8	19,602	20,455
Nonmanufacturing	790	904	1.9	2.0	541	751	1.3	1.7	41,618	45,459

Note. Export employment estimates are based on the value of U.S. domestic exports at U.S. ports. Import employment estimates are based on the value of U.S. imports for consumption adjusted to domestic port value. Source: Foreign Trade Reports, U.S. Department of Commerce, Bureau of the Census. Employment includes wage and salary employees, self-employed and unpaid family workers.

U.S. Department of Labor
Bureau of Labor Statistics
May 1970

1/ Only those items most nearly comparable with domestic products.

COMPARATIVE INTERNATIONAL LABOR COST AND PRODUCTIVITY

The cost of producing goods in the United States relative to other countries is an important element in determining the flow of trade. Labor costs 1/, in turn, constitute a major factor in understanding the movements of total costs. Indexes covering unit labor costs and related series for all manufacturing are available for the United States and eight other industrial countries and are summarized in the accompanying charts. Examination of trends in these measures provides some insights into the trade competitiveness of the United States in relation to other countries.

In general the charts show that the trends in unit labor costs for the United States over the last two decades were favorable with regard to many countries but were unfavorable relative to those for Italy and Japan. In the 1960's alone the U.S. record was somewhat better; however, in large part it was a reflection of the very favorable relationship that existed in the first half of the decade. During that period, unit labor costs in the United States declined at slightly less than 1 percent per year, whereas those in Japan and every European country rose substantially.

Since 1965 the situation has been reversed. U.S. manufacturing unit labor costs have risen at a rate of 3.1 percent per year, in excess of all but one other country. Only Canada, with a 4.1 percent rate, shows a more rapid increase in unit labor costs. Such major countries as Germany, Italy, Japan, and the United Kingdom have experienced virtually no change in unit labor costs over this period, or have succeeded in lowering their cost levels.

Unit labor costs reflect the relationship between hourly labor costs and productivity (output per man-hour), and to the extent that increases in wages are offset by gains in productivity, inflationary cost pressures are reduced. Since 1965 average hourly compensation in U.S. manufacturing has risen at a 5.7 percent rate; however, the productivity gain was only at a rate of 2.5 percent. (See charts.) Hence, the rise in unit labor costs. In most of the other countries, the increases in hourly compensation have exceeded those in the United States, but have been more than offset by the differences in productivity growth. Productivity in European countries has grown at annual rates exceeding 4 percent since 1965, and the rate of increase in Japan amounted to 13 percent, in contrast to the U.S. 2.5 percent rate.

1/ Labor costs include direct payments for the services of all employees in an industry and expenditures for all supplementary benefits.

Over the longer period, 1950 to 1969, U.S. compensation rose at a 4.6 percent annual rate, which was exceeded in all of the other countries. U.S. productivity rose at a 2.9 percent rate, which was also exceeded in all of the other countries. Much of the lag in our productivity improvement occurred during the 1950's, when the annual rate of gain was just 2.2 percent. Our rate of gain rose to 4.2 percent in 1960-65, surpassing the rate in Canada and two of the European countries. Between 1960-65 and 1965-69, Europe and Japan accelerated their rates of productivity gain, while in the United States and Canada the rates diminished.

Although the trend measures shown here are useful for understanding the movements of labor cost, for international comparisons it is desirable to have measures of the levels of labor costs per unit of output for the economy and for individual industries. However, because of data limitations, these measures for the total economy cannot be derived, and absolute comparisons can be developed for only a few individual industries.

The only available study of comparative unit labor costs is one that the Department of Labor has completed, covering the primary iron and steel industry in the United States, Japan, and the three largest steel producing countries of Western Europe--France, Germany, and the United Kingdom. Even in this study, comparative data for Japan and the countries of Western Europe could only be presented in terms of ranges with high and low estimates, because of data gaps.

As can be seen in the table, the labor costs to produce a comparable ton of steel products in Germany and France are approximately two-thirds the U.S. level, whereas in the United Kingdom they are less than 60 percent of the U.S. level in 1968 and in Japan about one-third.

The smaller ratio for the United Kingdom reflects in part the 14 percent devaluation of the British pound in November 1967. Without this devaluation, British unit labor costs would have been higher.

Data for 1969 are not yet available. The effect of the French devaluation of late 1969 will be to lower French unit labor costs relative to the other countries. Conversely, the German revaluation should raise Germany's relative position.

Unit labor costs depend on the relative levels of hourly compensation and productivity. In 1966, compensation per man-hour in Germany and France ranged from about 40 to 50 percent of U.S. hourly labor costs in the iron and steel industry. In the United Kingdom and Japan, they were roughly one-quarter of the U.S. level.

At the same time, the productivity levels for these countries were substantially below that for the United States. The levels for Germany and Japan were about two-thirds the U. . level, for France about 60 percent of the U.S. level, and for the United Kingdom about one-half. Despite the substantial differences in productivity, unit labor costs in the United States are still significantly higher than in the other countries because of much higher hourly labor costs.

The relationships between unit labor costs for steel in the United States and West Germany and France have remained fairly stable over the past four years. Those for the United Kingdom changed in 1968, but this was primarily a result of the devaluation. Japan did experience a significant decline in its relative unit labor cost. Thus the increases in relative wages in Germany and France were offset by the relative productivity gains, whereas in Japan, where the hourly compensation increases exceeded those of the United States and other countries, the productivity gains were so great that relative unit labor costs declined.

These figures relate only to direct labor costs. Although labor costs are a sizeable part of the total cost in the iron and steel industry--about 40 percent of total cost in the United States and between 20 and 30 percent in the three European countries--material and other costs represent a larger proportion of total costs, and it cannot be inferred from the results obtained for unit labor costs that differences in the other costs of production are of the same magnitude or even in the same direction. In addition, higher average unit labor costs in the iron and steel industry in the United States, as compared with Japan and Western Europe, by no means imply that this is true for every steel mill product.

Despite the relatively higher unit labor costs in the United States and the rise in iron and steel imports which has occurred since 1964, employment in the industry, while fluctuating somewhat over the period, has shown a slight improvement, rising from 557,000 in 1964 to about 564,000 in 1969.

Broad conclusions about comparative cost levels in all manufacturing industry cannot be drawn from the experience of a single industry such as iron and steel. For some industries, the U.S. differential productivity rates appear to be so favorable that no significant import competition has developed and export markets have been expanded. In other cases, it is clear that import penetration has been rising, which is often regarded as an indication of substantially lower costs abroad. The Department of Labor is currently examining the relationship between import penetration ratios, productivity change, and employment in numerous industries.

Relative Unit Labor Costs, Hourly Labor Costs, and Output per Man-Hour
in the Iron and Steel Industries of Five Countries,
1964, 1967, and 1968 1/

(U.S. = 100)

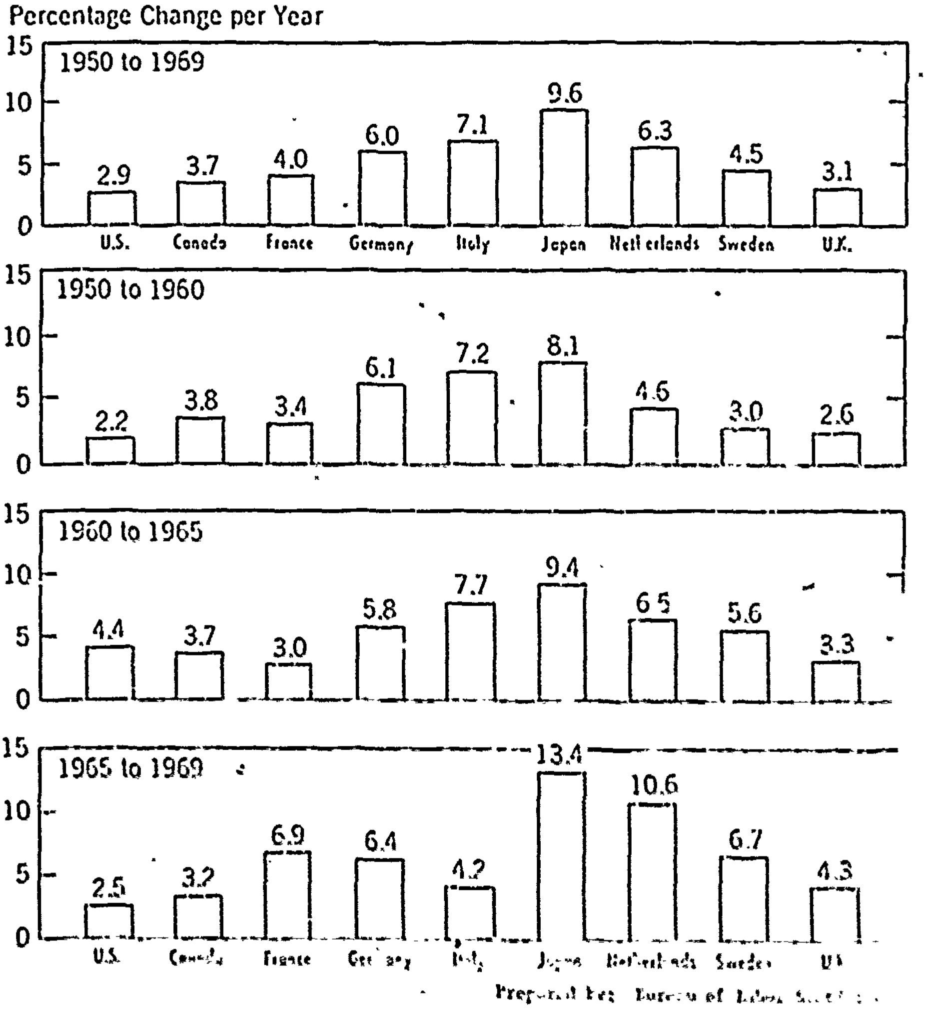
Item and year	United States	Japan		United Kingdom		West Germany		France	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Unit labor cost 2/:									
1964	100.0	34.1	43.4	57.4	64.1	57.8	71.7	66.3	71.9
1967	100.0	29.7	37.7	60.0	67.0	57.6	71.4	66.1	71.6
1968	100.0	30.2	38.3	51.0	57.0	56.7	70.3	3/	3/
Hourly labor cost 2/:									
1964	100.0	16.8	17.1	28.7	29.6	36.5	38.9	33.9	34.6
1967	100.0	21.3	21.6	31.2	32.2	40.0	42.5	37.8	38.6
1968	100.0	22.8	23.1	27.0	27.7	42.4	47.[illegible]	3/	3/
Output per man-hour:									
1964	100.0	39.6	49.3	46.1	50.1	54.2	65.3	48.1	51.3
1967	100.0	57.5	71.8	47.9	52.0	59.3	69.3	53.8	57.4
1968	100.0	60.7	75.6	48.7	52.9	64.2	75.0	3/	3/

1/ Excluding wire and wire products in the United Kingdom and wheels and axles in West Germany. The ranges in estimates do not allow for differences between the countries in the degree of vertical integration or the quality of steel produced.

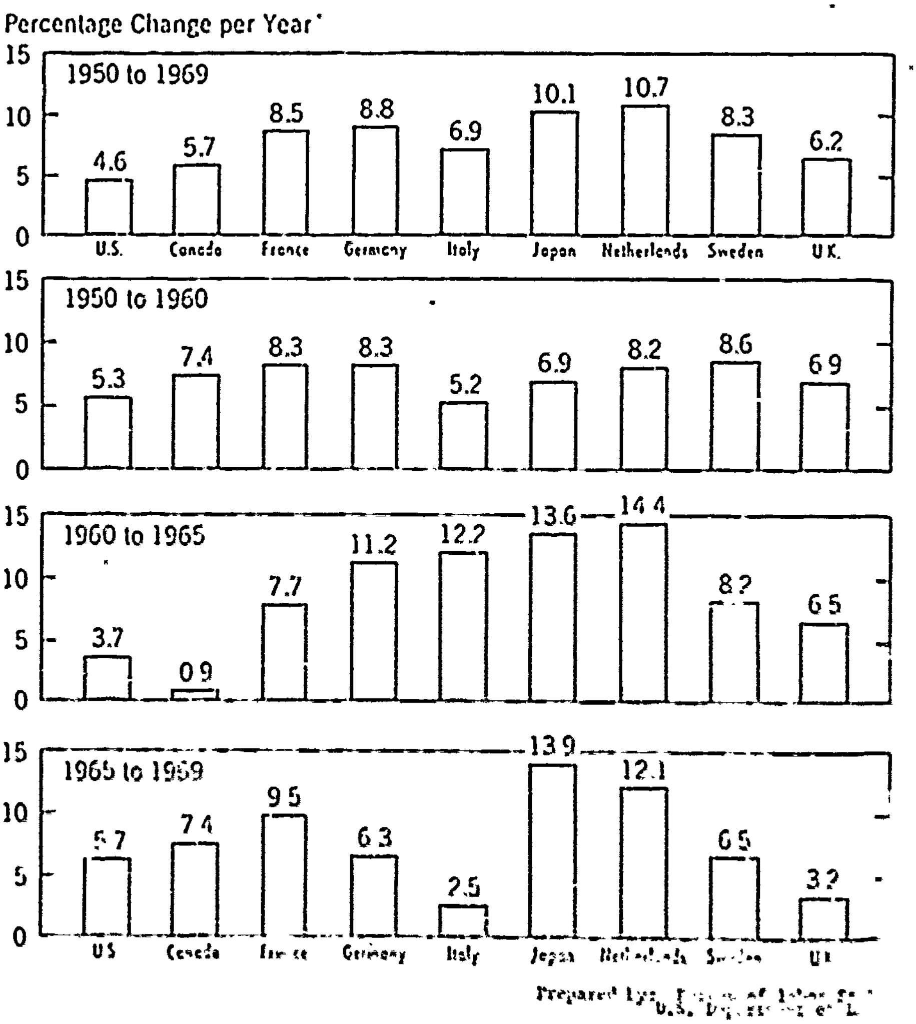
2/ Exchange rates: U.S. $1 = 360 yen, 0.3584 pound (1968 = 0.4167 pound), 4.0 deutsche marks, and 4.90 francs. Relative unit and hourly labor costs for the United Kingdom would have been substantially higher in 1968 without the 14-percent November 1967 devaluation of the pound.

Sources: Bureau of Labor Statistics, "An International Comparison of Unit Labor Cost in the Iron and Steel Industry, 1964: United States, France, Germany, United Kingdom," Bulletin 1580, 1968, and "Unit Labor Costs of Iron and Steel Industries in Five Countries," Monthly Labor Review, August 1969. Data for Japan are preliminary unpublished estimates.

ANNUAL RATES OF CHANGE IN OUTPUT PER MAN-HOUR IN MANUFACTURING, NINE COUNTRIES, 1950-69

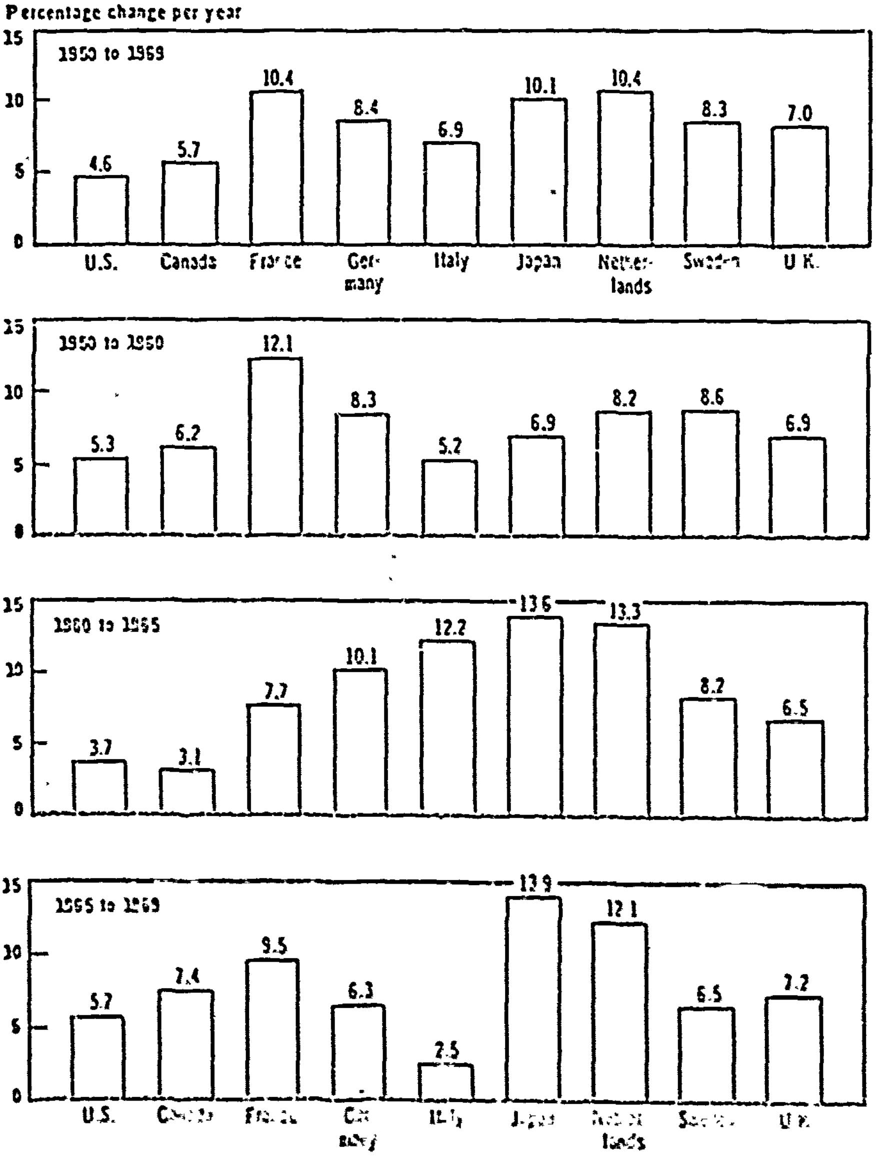


ANNUAL RATE OF CHANGE IN COMPENSATION ’ER MAN-HOUR IN MANUFACTURING, NINE COUNTRIES 1950-69 (U.S. DOLLAR BASIS)



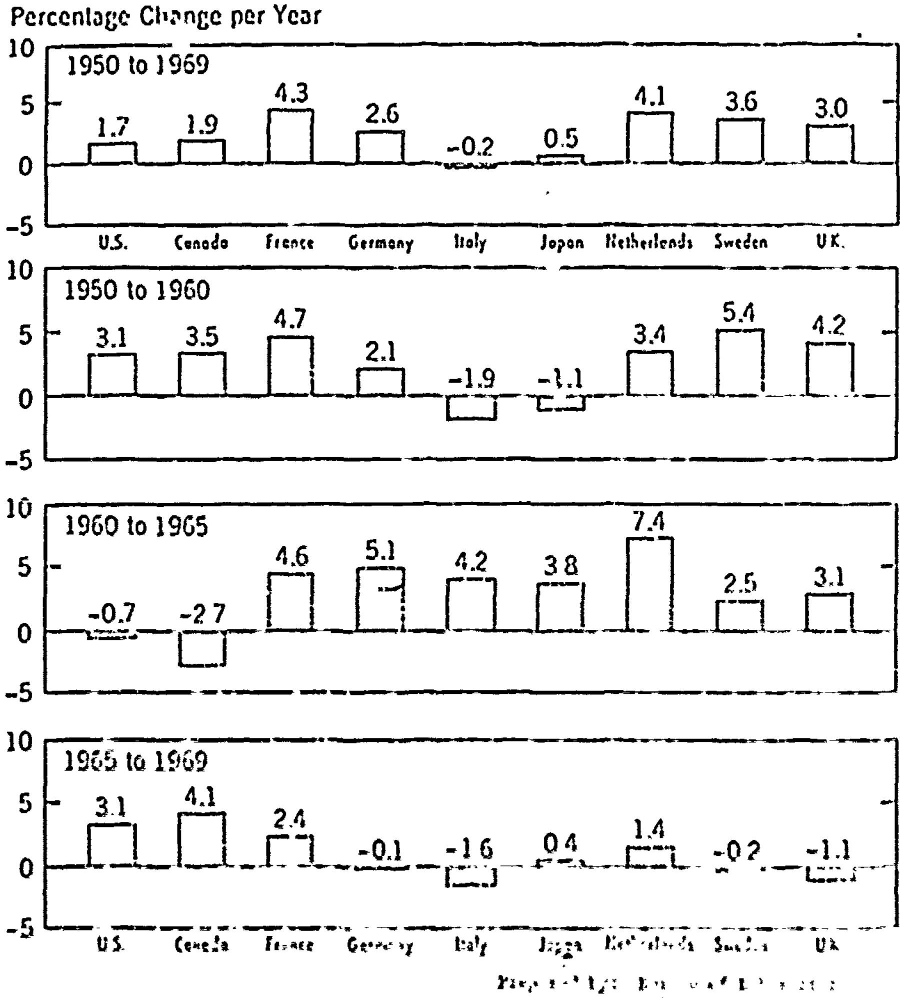
Annual Rates of Change in Compensation Per Man-Hour in Manufacturing, Nine Countries, 1950-69

(National Currency Basis)

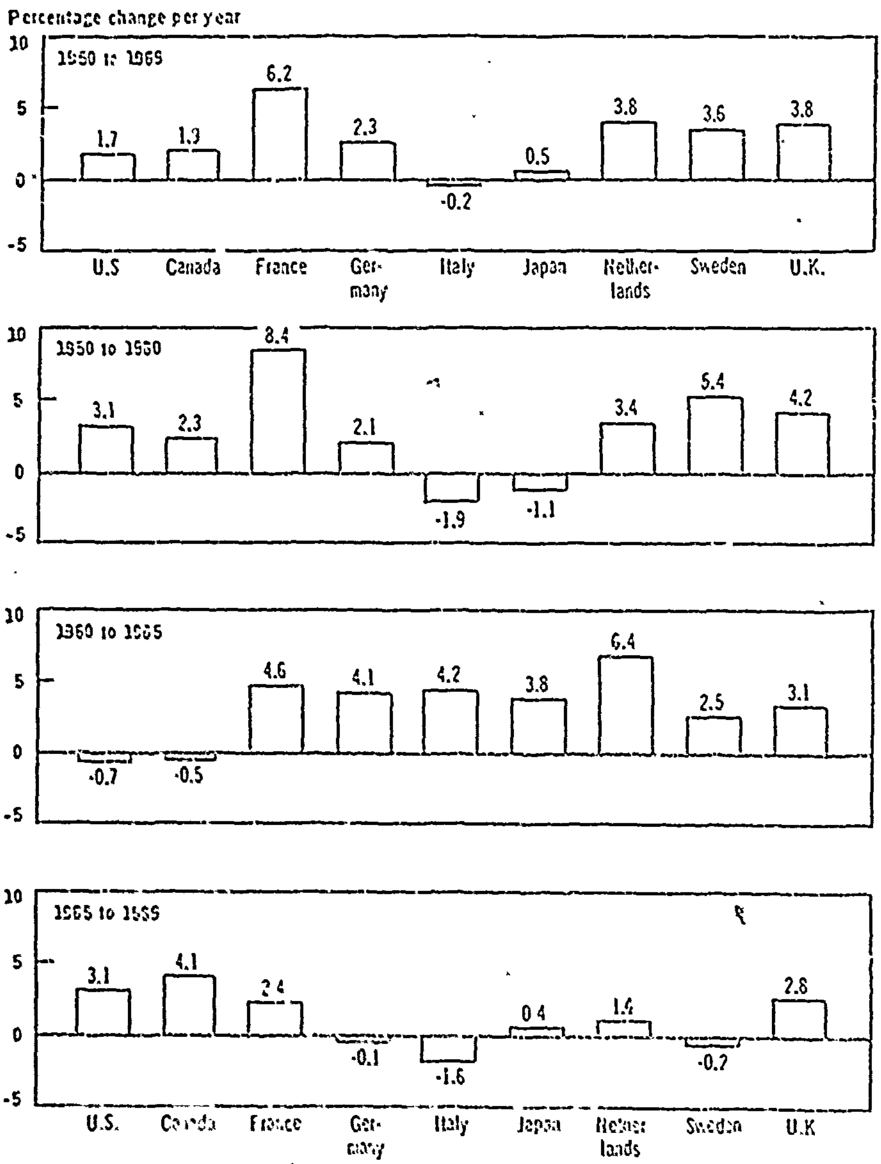


Prepared by: Bureau of Labor Statistics
U.S. Department of Labor

ANNUAL RATES OF CHANGE IN UNIT LABOR COST IN MANUFACTURING, NINE COUNTRIES, 1950-69 (U.S. DOLLAR BASIS)



Annual Rates of Change in Unit Labor Cost in Manufacturing, Nine Countries, 1950-69
(National Currency Basis)



Prepared by: Bureau of Labor Statistics
U.S. Department of Labor

Foreign Tariff Adjustments

Adjustments or withdrawals of concessions granted under the GATT are made under the provisions of Articles XIX or XXVIII of that Agreement. Article XIX is the emergency provision, while Article XXVIII provides regular procedures for renegotiating concessions[1/].

In the past three years, 9 different countries have initiated tariff adjustments which required the U.S. to enter into 18 separate negotiations to protect U.S. trade interests. Of those 18 negotiations, 13 have been concluded with the United States having received compensation, and 5 are currently underway.

Concluded Negotiations. Under Article XIX, Austria suspended its concession affecting U.S. exports of oilcake; Canada of corn, potatoes and turkeys; and Spain of synthetic rubber. The U.S. received compensatory concessions, or the country terminated the action, or both. Under one of the provisions of Article XXVIII, Australia modified or withdrew 33 items in 5 separate actions, Canada modified or withdrew 55 items in 3 separate actions, Israel modified or withdrew about 70 items, and South Africa modified or withdrew 39 items. In each case the U.S. received satisfactory compensation.

Current Negotiations. The United States is currently negotiating for compensatory concessions as a result of the following 5 actions: Australia's withdrawal of certain off-the-road construction equipment; Brazil and Chiles' renegotiation of their entire Schedules of concessions; Canada's withdrawal of turkeys; and India's withdrawal of 11 items. Brazil's action was necessitated by passage of a wide ranging tariff liberalization law, while Chile's action was necessitated by adoption of a new tariff nomenclature.

Future Negotiations. Negotiations are expected to begin soon as a result of "open season" notifications by the European Economic Community on unwrought aluminum, Norway on yeast, and South Africa on 53 items. Additional negotiations may take place between now and December 31, 1972 as a result of the 1969 Article XXVIII reservations made by Australia, Denmark, Finland, India, Israel, New Zealand, Pakistan, South Africa and Turkey.

1/ Under provisions of Article XXVIII, an "open season" occurs once every three years at which time countries may modify or withdraw concessions. In open season, a country may also reserve the right to modify or withdraw concessions at any time in the subsequent three-year period. In the absence of such a reservation, a country may modify or withdraw its concessions during the interim between open seasons by obtaining from the other contracting parties a finding of special circumstances. Article XXVIII stipulates that all modifications or withdrawals are to be made by negotiation and agreement with effected countries with a view to maintaining a general level of mutually advantageous concessions not less favorable to trade.

Minor Negotiations

Every year there are numerous minor foreign tariff adjustments which require the U.S. to enter into negotiations or consultations to protect its trade interests. These adjustments occur under provisions of Articles other than XIX and XXVIII. For example, negotiations have occurred: (a) because the Bahamas, Jamaica and United Kingdom widened preference margins beyond GATT bound levels; (b) because less developed countries like Korea, Malawi and Surinam adjusted tariffs to protect infant industries; (c) to insure existing tariff concessions are carried over fully when new tariff nomenclatures are adopted and (d) to obtain rescission of tariff adjustments made in ignorance of GATT obligations. At any point in time there are approximately 20-30 of these types of negotiations or consultations underway.

United States Tariff Adjustments
(i.e., GATT Article XIX and XXVIII Actions)

I. Article XIX of the GATT is the escape clause provision. Since the Trade Bill hearings in 1968 the following actions have occurred:

1. Pianos.

On February 21, 1970, the President proclaimed an escape clause action on pianos, except grand pianos. The Kennedy Round tariff reductions were interrupted and the 1969 rate of 13.5 percent was reimposed. In addition, firms and workers in the piano industry may request the Secretaries of Commerce and Labor, respectively, for certifications of eligibility to apply for adjustment assistance. This action was taken by the President following a Tariff Commission finding that pianos were being imported into the United States in such increased quantities as to threaten to cause serious injury to the domestic industry. The staged Kennedy Round reductions will resume on February 21, 1973, at which time the 11.5 percent duty will be reinstated. The final reduction originally scheduled for January 1, 1972 (8.5 percent) is now scheduled for January 1, 1975.

2. Sheet Glass.

On February 27, 1970, the President proclaimed a new escape clause action which had the effect of extending the then current escape clause protection for window glass (one type of sheet glass) until January 21, 1972, after which it is scheduled to be phased out over the following two years. He also provided adjustment assistance to firms and workers in the sheet glass industry to help them adjust to competition from imports. The prior escape clause action on window glass had been scheduled to expire at the end of March 1970. The President's action was taken after review of the Tariff Commission's report on a new escape clause petition submitted by the glass industry in which three Commissioners found imports of sheet glass were causing serious injury to the domestic industry and three Commissioners took the opposite view. In such a situation, the President can accept the finding of either group as the finding of the Commission. The President accepted the decision of those Commissioners finding serious injury, but did not accept their recommendation that all rates of duty on sheet glass be increased to the full statutory (column 2) level.

3. Wilton and Velvet Carpets and Rugs.

On December 31, 1969, the President, under authority of the Trade Expansion Act of 1962, extended the escape clause rate of duty (40 percent) on non-oriental type Wilton and velvet floor coverings until December 31, 1972. At the same time, he permitted the escape clause action on imports of imitation oriental floor coverings to expire. The escape clause action on all Wilton and velvet carpets and rugs, originally taken in 1962 and extended in 1967, had been scheduled to expire on December 31, 1969.

In announcing his decision, the President indicated that he would ask the Tariff Commission for additional information on the non-oriental design carpets and rugs to help determine whether any further action is necessary. This request was made by the Special Representative for Trade Negotiations on behalf of the President on February 13, 1970.

II. Article XXVIII:1 of the GATT provides that once every three years from July 1 through September 30 (1966, 1969, 1972 ...) any member country may notify its intention to modify or withdraw any of its tariff concessions. This is the so-called "Open Season" provision.

On September 30, 1969, the United States notified the GATT that it was reserving the right to modify or withdraw trade agreement concessions on stainless steel flatware, light aircraft and certain pet food. At present the United States has until June 30, 1970, to renegotiate the bindings on these items, or withdraw the notifications. The time limit may be extended upon request to the member countries.

1. Stainless Steel Flatware.

Tariff quotas previously imposed under escape clause procedures were permitted to terminate in October 1967. Upon termination, the President announced that the responsible federal departments had been asked "to maintain surveillance over [this industry] to determine if other assistance is appropriate at a later date." Should further investigation reveal that increased competitive pressure from imports is such as to warrant tariff or other relief, this action under Article XXVIII would reserve U.S. rights to renegotiate concessions. The Tariff Commission conducted an investigation under section 332 of the Tariff Act of 1930 to obtain recent data on production, imports, exports, employment, and profits and losses of the industry.

2. U.S. Pet Food and Light Aircraft

These items were notified to the GATT so that it would be possible to modify or withdraw U.S. concessions on them if our efforts to get Japan to remove its quantitative restrictions on these same products failed. In the case of certain pet foods, the quantitative limitation was removed, but Japan simultaneously imposed a temporary duty of 20 percent on imports. Previously, they had been free of duty but the free status was not bound in a trade agreement.

In the case of light aircraft (less than 10,000 pounds empty weight), the United States is pressing Japan for liberalization of its restrictions. U.S. industries have been invited to express views on the possible modification or withdrawal of U.S. concessions on these products.

NONTARIFF BARRIERS

GATT Work Program

In November 1967, the member countries of the GATT agreed upon a future work program to lay the grou. .work for further trade liberalization and expansion. To carry out this work, the GATT members created two new committees and issued instructions to an existing committee. The GATT members in their recently concluded annual session directed the Industrial and Agriculture Committees to report by the end of 1970 on action that might appropriately be taken. A separate report is to be prepared on possible negotiating techniques or other methods to deal with trade barriers, both tariff and non-tariff. These reports would provide the basis for a decision by the GATT members at their next session on their future course of action. These committees and the status of their work are as follows:

A Committee on Trade in Industrial Products (CTIP) was established and directed to make an objective analysis of the tariff situation as it will exist when all Kennedy Round concessions have been fully implemented. It was also directed to draw up an inventory of nontariff barriers affecting international trade. Subsequently it was directed to explore possibilities for concrete action on NTB's.

Basic documentation for the tariff study, which will enable trade and tariff comparisons among major industrial countries, is being prepared by the GATT Secretariat in cooperation with a group of technical experts designated by member governments including the United States.

The CTIP has completed the factual examination of some 800 notifications submitted by individual countries concerning NTB's of GATT member countries. These notifications cover a variety of trade measures that vary widely in significance.

Following the initial review, in October 1969 the Committee agreed to move to the next stage of its work, that is to search for possible solutions to the major barriers. For this purpose, it established five sub-groups on different barriers; (1) government participation in trade (e.g., state trading and subsidies); (2) customs and administrative entry procedures; (3) standards (e.g., health and sanitary and other standards), (4) specific limitations on imports and exports (e.g., quantitative restrictions); and (5) restraints by the price mechanism (e.g., import deposits). This stage of the work is preparatory to possible negotiations and involves no commitment to take or to join in any action discussed. These groups are now meeting and are expected to report on the progress of their work by mid-summer.

An Agriculture Committee was established and directed to examine the problems in the agricultural trade sector and to prepare the way for consideration of mutually acceptable solutions to problems in this area.

The first phase of the Agriculture Committee's work was completed in September 1968. This consisted of collecting factual and statistical data from all participating countries on matters dealing with production, consumption, border protection and trade in eight broad commodity groups. The examination of material submitted -- with special emphasis on problems in international markets (export pricing practices and import protection policies) and problems relating to production policies -- was well advanced by the end of 1969. The Committee therefore decided to move into the next phase of its work, to be carried out during 1970. This phase of the Committee's work program has been delegated to working groups whose tasks will involve a search for solutions to problems related to (1) export measures, (2) import measures, (3) production policies, and (4) other relevant measures.

An existing Committee on Trade and Development was directed to continue to examine matters of concern to the developing countries, including trade in tropical products, import restrictions of special interest to LDC's, and the expansion of trade among developing countries.

The Committee on Trade and Development has undertaken several studies of LDC problems. It is considering residual import restrictions affecting LDC exports, and is reviewing the implementation of Part IV of the GATT, which deals with the trade and development of LDC's. It will also consider plans for trade negotiations among the developing countries.

Inventory of Alleged United States Nontariff Barriers

This list includes laws, government regulations and administrative practices that have been the subject of complaints or protests by foreign officials or exporters or by U.S. importers, alleging that they are restrictive of trade. The United States considers many of these complaints to be baseless or of doubtful validity. For example, safety standards and food and drug regulations are necessary to protect the public health and safety and could become nontariff barriers only if their implementation unfairly and unjustifiably restricts the entry of foreign materials and products.

Where complaints have arisen in international discussions, United States representatives have provided detailed information regarding the nature of the measures, their origin, and their current implementation.

The list is divided into: (I) quantitative import restrictions, and (II) other measures which may affect trade without establishing specific quantitative limitations. The list, inter alia, does not include foreign assets control regulations, which apply to U.S. trade with Communist China, North Korea, North Vietnam, and Cuba; voluntary export controls imposed by foreign countries to avoid disruption of the U.S. market; state and local measures; and private practices.

I. Quantitative Restrictions

A. Section 22 of the Agricultural Adjustment Act of 1933, as amended, provides authority for the President, after Tariff Commission investigation, to apply quantitative restrictions or fees on imports of agricultural commodities when he finds that imports materially interfere with U.S. Department of Agriculture programs. At present, import restrictions are imposed on wheat and wheat flour, cotton, peanuts, butter, certain cheeses, and other specified dairy products.

B. The Long-Term Cotton Textile Agreement (LTA) is a multilateral arrangement in which most of the world's leading cotton importing and exporting countries participate. Under a provision of the LTA the United States controls imports of cotton textiles under separate bilateral agreements with 24 countries whose shipments account for more than 80 percent of all U.S. cotton textile imports.

C. Section 232, Trade Expansion Act of 1962, authorizes the President to adjust the imports of any article so that they will not threaten to impair the national security. The only commodity group currently restricted under this provision is imports of crude petroleum and its derivatives.

D. The Sugar Act of 1948, as amended, provides a quota formula whereby United States sugar requirements are shared between domestic and foreign suppliers. United States producers are allocated about 65 percent of the domestic market, while about 35 percent is reserved to foreign suppliers.

E. The Meat Import Act of 1964, requires the President to limit imports of fresh, chilled or frozen beef and veal mutton and goat meat. The law does not itself establish a quota. It establishes a formula, based on the relationship between imports and domestic commercial production, for proclaiming a quota when estimated imports exceed trigger levels. Quotas have not been triggered to date. When meat imports approached the trigger level in 1968, a voluntary meat export restraint program was adopted with the major supplying countries agreeing to limit exports to the United States to specific levels. Voluntary restraints are still in effect.

F. Pursuant to section 11 of the Trade Agreements Extension Act of 1951, imports of ermine, fox, kolinsky, marten, mink, muskrat and weasel furskins, which are the product of the Soviet Union or of Communist China, are prohibited.

G. Gun Control Act of 1968 prohibits the import of firearms except those particularly suited for, or readily adapted to, sporting purposes. Countries exporting these firearms have complained in the GATT that the restrictions on imported guns are more stringent than the restrictions on interstate shipments and mail order sales.

H. Tariff Rate Quota on Brooms. Effective January 1, 1966 imports into the U.S. of 115,000 dozen whisk brooms and 205,000 other brooms (all made in whole or in part of broomcorn) are subject to a rate of 20 percent ad valorem and entries in excess of the specified quantities are dutiable at higher rates. On the basis of 1968 trade, the rates of duty on potential imports in excess of 115,000 dozen whisk and 205,000 dozen floor brooms were equal to duties of 86 percent and 68 percent ad valorem, respectively.

I. Atomic Energy Act of 1954, as amended. P.L. 88-489, enacted on August 26, 1964, amended the Atomic Energy Act and authorized the Atomic Energy Commission to offer uranium enrichment services to U.S. and overseas organizations. Section 161V of the Act prohibits "such service for source or special nuclear materials of foreign origin intended for use in a utilization facility within or under the jurisdiction of the United States."

J. Section 606(7) of the Merchant Marine Act of 1936. Section 606(7) prohibits the purchase of foreign-built containers by U.S. flag vessels if the vessel's operations are governed by an operating differential subsidy contract. The prohibition does not apply to ships having a mortgage guarantee, granted under Title XI of the Merchant Marine Act of 1936.

K. Jones Act. This Act restricts vessels, including dredges, work vessels and hovercraft, engaged in coastwise trade to those vessels constructed in the United States and manned by U.S. citizens.

II. Other United States Measures

A. Valuation Practices

1. System of Customs Valuation

The U.S. system of valuation provides nine different methods of establishing values for the assessment of ad valorem duties. The two most commonly used, and under which the vast majority of appraisements are made, are f.o.b. type values. Other countries contend that the complexity of U.S. valuation provisions constitutes a barrier to trade. Some countries have proposed that the United States should adopt the Brussels definition of value, which is a landed (c.i.f.) value.

2. American Selling Price (ASP)

Under the U.S. valuation system, benzenoid chemicals, certain rubber footwear, canned clams, and certain wool knit gloves have duties assessed on the value of the competitive U.S. product rather than on the value of the imported article. In the Kennedy Round the United States agreed to seek legislation to eliminate ASP. The Administration's proposed trade bill (H.R. 14870) contains a provision to carry out this agreement.

3. Section 402a of the Tariff Act of 1930

This part of the U.S. valuation system applies to a list (the so-called Final List) of specifically enumerated products, the valuation of which in 1956 would have been changed by more than 5 percent if valued under the method established in the Customs Simplification Act of 1956.

Under the provisions of that Act, appraisement of these products was continued on the old set of valuation provisions applicable prior to 1956. Articles subject to the Final List comprised about 7 percent of U.S. dutiable imports in 1966.

A. Other Customs and Administrative Entry Procedures

1. Certificates of Origin

Certificates of Origin are required for importation of commodities into the U.S. when goods of Communist Chinese, North Korean, or North Vietnamese origin may be involved. The necessity to apply the requirement to imports from third countries arose from the fact that Communist China attempted to market its goods in the U.S. by selling them through third countries or misdescribing their origin. Moreover, in many cases it was impossible to determine the origin of the goods by physical examination.

2. Deposit Requirement for Samples

U.S. requirements do not comply fully with provisions of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Material which the U.S. signed in 1952. The Convention limits deposits on samples to the amount of import duties plus 10 percent, whereas U.S. customs regulations require a deposit in an amount equal to double the duties estimated to accrue. The U.S. regulations are now in the process of revision to bring them into conformity with the Convention.

3. Customs Invoice

Special Customs Invoice Form 5515 (used to report entries over $500 in value), besides requiring the usual commercial information concerning quantity and value of shipments, requests other information considered by some foreign exporters to be unnecessary and burdensome. For some products, including footwear and cotton fabrics, detailed descriptive information is required for classification purposes. Some questions that foreign exporters find objectionable are not mandatory but are requested on a voluntary basis.

4. Basis of Customs Classification

Imports into the United States are classified and dutiable in accordance with the Tariff Schedules of the United States rather than the BTN which is used by over 100 countries including our major trading partners, except Canada.

Headnote 10(iJ) of the TSUS provides that parts of products will be classified, wherever possible, on an *eo nomine* basis so that many parts no longer necessarily are classified as the product of which they are part.

C. Government Procurement Policy

1. All Federal Government procurement for use within the United States is subject to the provisions of the Buy American Act of 1933, which provide that only domestic materials can be purchased unless (a) the required supplies are not available domestically, (b) their purchase would be inconsistent with the public interest, or (c) the cost would be unreasonable. Under Executive Order 10582 of December 17, 1954, unreasonable price is defined as a price "more than 6 percent higher than the foreign bid". An additional 6 percent differential is applied in favor of the domestic bid if the materials will be produced in an area of substantial labor surplus or the low domestic bidder falls within the category of "small business". The Department of Defense is temporarily applying a 50 percent differential because of our balance-of-payments difficulties.

2. The Defense Department appropriation acts since 1954 have included a prohibition on funds for the procurement of any article of food, clothing, cotton, wool, silk and spun silk yarn for cartridge cloth which has not been grown or produced in the United States. This prohibition was broadened in the Appropriation Act of 1968 to include synthetic and coated synthetic fabrics.

D. Antidumping Act of 1921

Special dumping duties may be imposed on imported merchandise, whether normally dutiable or free, if it is of a class or kind with respect to which a finding has been made under the Antidumping Act of 1921, as amended, that the imported merchandise is being sold, or is likely to be sold in the United States or elsewhere, at less than its fair value, and that by reason of the importation of such merchandise a domestic industry is being or is likely to be injured. By law, the Antidumping Act of 1921 takes precedence over the International Antidumping Code to which the United States has adhered, in case of conflict.

E. Countervailing Duty Practice

The countervailing duty provision of the Tariff Act of 1930 provides for the imposition of countervailing duties when the Treasury Department finds that a dutiable import is benefitting from a bounty or grant. There is no injury requirement (as GATT requires) and no room for administrative discretion if a bounty or grant is found to exist.

F. Safety Standards

1. Motor Vehicles

The Motor Vehicle Safety Act of 1966 has been considered by some foreign auto producers as a potential nontariff trade barrier because it may have more restrictive effects on foreign cars than on American cars. The concern of exporters of motor vehicles, equipment, and tires to the United States has been that some safety standards might be more appropriate for the type of automobiles generally produced by the large American manufacturers than for imported automobiles, many of which are smaller or of quite different design.

2. Inspection Requirements for Boilers and Pressure Vessels

The American Society of Mechanical Engineers (ASME) Code is the sole standard of acceptability for boilers and pressure vessels. Products must be inspected and certified by an inspector qualified and licensed by the National Board of Boiler and Pressure Vessel Inspectors. The Inspector must be an employee of the State or f an insurance company authorized to do business in the State. Goods must be marked with the ASME Code symbol. Grant of the ASME symbol to a manufacturer for use in marking his goods is contingent upon approval by a licensed inspector, his recommendation to the Chief Boiler Inspector of the State, and a request by the chief inspector that ASME permit the manufacturer use of its symbol.

3. Standards for Steel Processes

Specifications for steel are developed by the American Society for Testing and Materials reflecting steel-making processes which are acceptable to committees composed of representatives of manufacturers and purchasers of steel and U.S. Government officials. The Thomas process, which is generally used in Europe, has never been subject to the consideration of ASTM Committees.

4. Standards for Plumbing, Heating, Lumber, Firefighting, Electrical Equipment

In the U.S., standard making has traditionally been a non-governmental process undertaken by organizations representing both producers and consumers of various products that arrive at standards through a process of concensus. Local governments sometimes pass regulations that give mandatory effect to what were originally voluntary standards.

5. Coast Guard Inspection of Safety Equipment

By statute (46 U.S.C. Sec. 489), the Coast Guard must approve safety equipment destined for use on U.S. flag vessels and by various Coast Guard regulations. Approval entails inspection of such equipment during the manufacturing process. Subsequently, manufacturers whose safety equipment is deficient are subject to statutory penalties.

6. Flammable Fabrics Act of 1953, as amended, authorizes the Federal Trade Commission to conduct investigations and tests on merchandise believed to be in violation of established requirements. The purpose of the law is to avoid deaths and injuries that are preventable through the use of materials which meet flammability standards. The law applies to both domestic and imported products.

G. Health Standards

1. Quarantine and Food and Drug Law and Regulations

Certain provisions of U.S. sanitary and health laws and regulations are sometimes viewed by foreign suppliers as trade barriers. One of the best-known examples is a provision in the Tariff Act of 1930 prohibiting any imports of meat from any country having hoof and mouth disease. In other cases, regulations specify standards of wholesomeness or purity that are equally applicable to imports and to the domestic product but that foreign suppliers may consider unnecessarily strict or burdensome. For example, a regulation of the Food and Drug Administration prevents the use of fish oil in the manufacture of margarine in the United States, though herring oil is used for that purpose in many other countries.

2. The Wholesome Meat Act (P.L. 90-201) is designed to protect the health and welfare of consumers by assuring that meat and meat food products distributed to them are wholesome, not adulterated, and properly marked, labeled, and packaged.

This legislation is not intended to restrict trade, although plants in some countries with relatively low health and sanitary standards may have difficulty complying with the standards set forth in the Act.

3. Section 8(e) of the Agricultural Marketing Agreement Act of 1937, as amended, prescribes thirteen fruits, vegetables, and nuts which are subject to regulations under domestic marketing orders. The imported products must conform to grade, quality, size and maturity standards set forth in the marketing orders in order to enter the U.S. market. These import regulations apply, however, only when domestic shipments are actually being regulated. Currently 8 of the 13 commodities specified in section 8(e) are being regulated.

H. Other Standards

1. Fair Packaging and Labeling Act of 1966 and related regulations prescribe the manner in which certain consumer commodities are to be packaged and labeled so as not to mislead the consuming public and so as to provide the necessary information on which purchasing decisions are to be made. The law and regulations apply to both domestic and foreign products.

2. Mark of Origin

Section 304 of the Tariff Act of 1930 generally requires that imported articles be marked in a conspicuous place as legibly and permanently as the nature of the product permits and in such a manner as to indicate to the ultimate purchaser in the United States the country of origin. Exceptions are permitted for various products but in such cases the container must be marked.

I. Other Nontariff Practices

1. Escape Clause Actions

Section 351 of the Trade Expansion Act of 1962 permits the President to impose an increase in duty or other import restriction on an article following an affirmative finding of injury or threat of injury to a domestic industry due to an increase in imports. Imports of certain sheet glass, Wilton and velvet carpets and rugs of non-oriental design, and pianos (except grand pianos) are currently subject to escape clause actions.

2. Unfair Practices in Import Trade

Section 337 of the Tariff Act of 1930 authorizes the Tariff Commission to investigate alleged unfair acts in the importation of articles or sale of imported articles in the United States. When the effect or tendency of such methods or acts is to destroy or substantially injure a domestic industry, or to prevent the establishment of an industry, or to restrain or monopolize trade and commerce in the United States, the articles involved may be excluded from entry into the United States by Presidential direction to the Secretary of Treasury. While there have been a number of investigations initiated under section 337, the President has issued exclusion orders only once, i.e., against imports of Furazolidone.

3. Distilled Spirits

Under the wine gallon/proof gallon system used by the United States to assess import duties and excise taxes on alcoholic beverages, imported bottled spirits of less than 100 proof are assessed as though they were 100 proof, so that in effect a bottle of 86 proof Scotch is assessed for an additional 14 proof. Alcoholic beverages imported in bulk at 100 proof or more are treated the same as domestically produced spirits, which are assessed before the bottling process while they are still 100 proof.

4. Tariff Classification of Sparking Cider

Under existing legislation the Internal Revenue Service classifies sparkling cider as a sparkling wine. The law sets 0.277 grams of CO_2 per 100 milliliters as the upper limit for still wines and sparkling cider generally has a CO_2 content of over 0.4 grams per 100 milliliters. The law is non-discriminatory in that it applies with equal force to domestic cider and other similar alcoholic effervescent drinks and to such products imported from any country.

5. United States Manufacturing Clause in Copyright Act

This legislation prevents entry into the United States of more than 1,500 copies of English language books with an exception for books authored by nationals of countries adhering to the Universal Copyright Convention.

6. Ship Subsidies

The United States requires that all subsidized construction be performed in U.S. shipyards and that equipment purchases be of domestic origin. These conditions have been in effect at least since the enactment of the Merchant Marine Act of 1936. The subsidy program is intended to meet security requirements for a viable shipbuilding and shipping capability.

7. Western Hemisphere Trading Corporations

Corporations that conduct all their business in the Western Hemisphere and derive 95 percent of their gross income from outside the U.S. from active conduct of trade or business, are eligible for certain tax rebates. Qualifying corporations may reduce their effective corporate tax rate by 14 percentage points (48 percent to 34 percent, i.e. by about 30 percent, or in some circumstances the rate may be reduced to 27½ percent, i.e., by about 60 percent).

8. Operation of Post Exchanges

Post Exchanges may enter duty-free into host countries any goods, regardless of country of origin, and sell them tax-free to authorized customers. Goods sold in PX's are selected with a view to meeting the Department of Defense's temporary balance of payments objectives as detailed in DOD Directive #7060.3, dated January 16, 1965, as amended, subject: "International Balance of Payments Program--Non-appropriated Fund Activities."

Bilateral Efforts to Obtain Trade Liberalization

Japan

Sound and viable economic relations between the United States and Japan are a keystone of the overall U.S.-Japan relationship. Each country is the largest overseas trading partner of the other and the importance and rapid growth of the Japanese market has caused the United States Government to focus intensive attention on the vast array of Japanese trade restrictions.

History of Restrictions

Until 1963 the GATT authorized Japan to maintain quantitative restrictions for balance of payments reasons. Following a finding of the International Monetary Fund (IMF) that Japan was not entitled to maintain import restrictions for balance of payments reasons, Japan notified the GATT in February 1963 that it was giving up its right to impose restrictions under Article XII of the GATT which permits the use of import quotas for the same reasons. A large number of items were liberalized through April 1964, but very few were removed from restrictions during the following four years. At the beginning of the Japanese fiscal year on April 1, 1968, Japan maintained quota controls on 34 complete four-digit BTN (Brussels Tariff Nomenclature) categories and 187 other parts of BTN categories. 1/

In addition 15 whole categories and parts of 24 other categories, which cover military hardware, explosives and ammunition, narcotics, fissionable materials, and gold, are under quota control for national security reasons. While these items have been omitted from consideration in this paper, the United States does not necessarily accept the national security rationale in all cases.

1/ Throughout this paper, BTN(whole) refers to a complete four-digit category and BTN(part) refers to a part of a category. Several parts may be in the same four-digit category. Part of a category may be liberalized while part remains under quota. For example, fresh limes have been liberalized and fresh grapefruit is scheduled to be liberalized, while tangerines and oranges will remain under quota. All four are in BTN 08.02. Therefore, although oranges and tangerines are in the same four-digit category, they appear as two parts on the non-liberalized list (Attachment 2).

Japan's Restrictive Import Licensing System

Japan's import licensing controls consist of: (1) the Import Quota (IQ) System, which requires an importer to obtain an Import Quota Allocation Certificate from the Ministry of International Trade and Industry (MITI). If a quota is granted and a (global) Import Quota Allocation Certificate issued, an application for an import license must be presented to an authorized foreign exchange bank and an import license will be issued automatically; (2) the Automatic Import Quota (AIQ) System, which operates in the same manner as the IQ system except that an Import Quota Allocation Certificate is automatically issued and there is no ceiling on imports. All items not on the IQ or AIQ lists are under Automatic Approval (AA). The only requirement for AA items is that an importer obtain a license or import authorization from a foreign exchange bank. No governmental approval is required.

Japan strongly maintains that items on the AIQ list are for all practical purposes treated in the same manner as AA items. Japan does not consider the requirement to obtain a license under AIQ to be burdensome and maintains it exercises the AIQ control only for statistical purposes. In December 1968 the Japanese assured the United States that licenses for AIQ items would be issued within 2 days of application and pointed to the fact that no item has ever been returned to IQ once placed on AIQ. The United States considers the Japanese contentions to be valid in part but maintains that the AIQ poses a burden on importers, is subject to possible abuse, and thus has a limiting effect on trade.

Efforts of the United States over several years to persuade Japan to remove her remaining quantitative restrictions and abide by her GATT commitments met with only limited success and the United States decided in 1968 1/ that it would have to

1/ Prior to this time, the U.S. had held a series of bilateral talks with the Japanese, beginning in Dec. 1967 and aimed at relaxation of investment controls and import liberalization in the automobile sector. The Japanese response in August consisted of a minor commitment to increase imports of auto engines and parts annually until full liberalization became effective in 1972. Japan also agreed to place her full Kennedy Round tariff reduction on large autos (from 35 percent to 17.5 percent) in effect April 1, 1969.

obtain substantial elimination of the remaining controls or consider taking retaliatory action against Japan under Article XXIII of the GATT.

Chronological Summary of Recent U.S.-Japan Bilateral Discussions

The history of these U.S.-Japan discussions and Japan's response is as follows:

1) In the fall of 1968, during the GATT Session, the United States requested repeal of the import quota restrictions, with emphasis on products of particular interest to the United States. The Japanese responded to this request by asking that a U.S. delegation come to Tokyo where they would give us their reply and discuss the problem further.

On December 17, 1968, the Japanese Government issued a broad policy statement promising an extensive review of its import quotas and "liberalization of a substantial number of items during the next two or three years".

2) In late December 1968, a U.S. delegation in Tokyo discussed Japan's quota restrictions again as well as the entire Japanese licensing and import deposit systems. The results of these discussions were inconclusive, but some progress was made in obtaining commitments for liberalization. The United States decided to await future developments before deciding whether it should take retaliatory action.

3) The subject of trade liberalization was discussed further by Secretary Stans when he visited Japan in May 1969.

4) The subject was discussed again at the July 1969 meeting of the U.S.-Japan Committee for Trade and Economic Affairs. At this meeting, the Japanese announced their intention to repeal a considerable part of the remaining import quotas by the end of 1971.

5) In the fall of 1969 the Assistant Secretary of State for Economic Affairs Trezise visited Tokyo for further discussion of trade liberalization.

6) Japan's commitments for trade liberalization were reaffirmed by Prime Minister Sato during his talks in Washington in November 1969.

7) Japanese import restrictions have been the subject of continued discussions between U.S. officials in Washington and the Japanese Embassy, and between the U.S. and Japanese Government officials in Tokyo and Geneva.

Summary of Liberalization Actions

As a result of these discussions, Japan, in a series of actions, beginning on April 1, 1969 (see Attachment 3) removed quotas from a large number of items and assured that liberalization of other items would take place during 1970 and 1971. In total, these actions liberalize 14 complete four-digit categories and parts of 94 categories (see Attachment 1). Two whole categories and parts of 8 others move to the AIQ list and the remainder to the AA list. In addition, Japan removed 71 whole BTN categories and parts of 130 others from the AIQ list.

The following table summarizes the number of items under quantitative import restrictions on April 1, 1968 and 1970, as well as the items scheduled to remain under control on January 1, 1972:

Number of Items Under Import Control

	I Q		A I Q	
Date	BTN (whole)	BTN (part)	BTN (whole)	BTN (part)
April 1, 1968	34	187	87	280
April 1, 1970	28	145	33	140
Jan. 1, 1972	20	93	N.A.	N.A.

In addition to the elimination of a sizeable number of restrictions, Japan has effected several other liberalization measures since 1968 of special interest to the United States. These include:

(1) Increased quotas for several products of export interest to the United States. Agricultural quota increases apply to dried peas and kidney-type beans (pinto, great northern, navy, and lima beans); fresh oranges and grapefruit; fruit juices; tomato juice, ketchup, and sauce; small kernel peanuts; and sausages and other processed meat and meat products. In addition, a special quota for high quality beef for hotels in Tokyo was established.

In preparation for complete liberalization of certain industrial categories, Japan is also gradually increasing their quotas.

(2) During the visit of the Assistant Secretary of State for Economic Affairs in Tokyo in the fall of 1969, the Japanese agreed to advance the full Kennedy Round tariff reduction on soybeans, the leading U.S. agricultural export to Japan.

(3) Effective October 20, 1969, Japan reduced from 5 percent to a uniform 1 percent the import deposit required at the time an import license is issued. Previously, although the 1 percent rate was applicable to most raw materials and machinery, a number of consumer items were subject to a 5 percent levy. The import deposit, which had been required in cash, could thereafter be paid in cash, eligible securities, or bank guarantees.

Summary of Items Remaining Under Import Quota Control on January 1, 1972

As indicated above, in accordance with Japan's current liberalization plans, which may be stepped up, import quotas will remain in force on January 1, 1972 on 20 whole categories and parts of 93 categories. These items are listed in Attachment 2.

U.S. commercial interest in this list varies from item to item with the United States having very large trade interest in some items and very little or no trade interest in others.

On the industrial side the items of major trade interest include, but are not limited to, computers and parts; light airplanes; airplane parts; radar and navigational equipment; and coal.

In the agricultural sector the items of chief interest to the United States remaining under control include meats, fruits, and prepared and canned food products. A number of important agricultural products that the U.S. exports to Japan in large volume, such as wheat and tobacco, can be imported only by state trading organizations.

U.S. Position

Over the past two years, the United States has concentrated on accelerating the reduction and removal of Japan's restrictions on trade. The Japanese Government, recognizing the need for action, has initiated a gradual program of liberalization and has indicated willingness to consider additional relaxations of its restrictions. Unfortunately, Japan's liberalization efforts have not kept pace with its increasing economic growth and international competitiveness. The result has been a widening gap between the Japanese liberalization schedule and its capacity for eliminating its import restrictions.

Therefore, the Administration intends to continue to press for complete liberalization of Japan's restrictions. Japan clearly understands that this target must be reached within a reasonable time or the United States will have to consider appropriate counter-measures. In the interim, the United States maintains its 1968 position -- that counter-measures will be deferred as long as the process of Japanese liberalization continues to accelerate. This is consistent with the United States belief that U.S.-Japan trade problems are best resolved through the mutual expansion rather than contraction of trade.

Attachments:

1) Items liberalized since 1968 or scheduled for liberalization by January 1, 1972

2) Items scheduled to remain under Japan's Import Quota System after January 1, 1972

3) Summary of Japanese Liberalization Announcements

4) Japanese Imports - By Licensing System

JAPAN

Items liberalized since June 1, 1968 or scheduled for liberalization by January 1, 1972 (scheduled items are indicated by an asterisk)

Item Number	Description of Goods
* ex01.01	Live horses
ex02.05	Unrendered pig fat free of lean meat, fresh, chilled, frozen, salted, in brine, dried or smoked
* ex07.06	Manioc
ex08.01-3	Dates, dried
ex08.02-1	Limes, fresh
* ex08.02-3	Grapefruit, fresh
* ex08.04-1	Grapes (Vitis vinifera), fresh
* ex08.06	Apples, fresh
* ex08.10	Pineapples (whether or not cooked), preserved by freezing, not containing added sugar
* ex08.11-3	Grapes, apples and limes, provisionally preserved by sulphur dioxide gas or other preservative gases
ex09.01-1-(2)	Other coffee, excluding those in containers of net content less than 400 grains
* 09.02-1-(1)	Black tea, put up for sale by retail
* 09.02-1-(3)	Other black tea
* ex10.07-3	Kao-liang and other grain sorghums, excluding those purchased by the government and those to be used as materials for compound feeds under the supervision of the Customs [ef. Subitem 8, Item 3 below]

"ex" before an item indicates part of a category.

Item Number	Description of Goods
11.04	Flours of the fruit falling withing any heading in chapter 8 of the Customs Tariff Schedules
* 11.05	Flour, meal and flakes of potato
11.09	Gluten and gluten flour, roasted or not
* ex12.01-2	Peanuts for oil extraction
* 12.01-3	Rape seede and mustard seeds
* 15.07-1	Soya bean oil
* 15.07-2	Ground-nut oil
* 15.07-3	Rape seed oil and mustard seed oil
* 15.07-4	Sunflower seed oil
* ex15.07-5	Cottonseed oil, excluding those to be used for manufacturing mayonnaise [ef. Subitem 8 Item 3 below]
* ex15.07-14	Corn oil, safflower seed oil and sunflower seed oil
* 15.13-1	Margarine
* ex15.13-2	Shortening
* 16.01	Sausages and the like, of meat, meat offal or animal blood
ex16.04-2	Preparations of roes of cod (including Alaska pollack) and of herring, excluding those sterilized by heating in airtight containers
* ex16.05-1	Scallops, adductors of shellfish and cuttlefish, smoked
* 17.04-1	Chewing gum
* ex19.02	Cake-mixes
* ex19.03	Macaroni, spaghetti, vermicelli and noodle

Item Number	Description of Goods
* 19.04	Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches
* ex19.05	Prepared foods obtained by the swelling or roasting of cereals or cereal products (puffed rice, corn flakes and similar products) excluding preparations other than those of rice, wheat, barley (including naked barley) and corn flakes
* ex20.03	Pineapple preserved by freezing, containing added sugar
* ex20.07	Lemon juice
* ex21.07-2-(1)	Bases for beverage, non-alcoholic, excluding Korean ginseng tea
* ex22.02	Lemonade, flavoured spa waters and flavoured acrated waters, and other non-alcoholic beverages, containing added fruit juices, not including fruit and vegetable juices falling within heading No. 20.07 of the Customs Tariff Schedules, excluding fruit nectar
22.04	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol
22.05	Wine of fresh grapes, grape must with fermentation arrested by the addition of alcohol
22.06	Vermouths, and other wines of fresh grapes flavoured with aromatic extracts
* ex22.09-1-(1)	Whisky
ex22.09-1-(1)-B	Bottled Bourbon Whisky

Item Number	Description of Goods
22.09-1-(2)	Brandy (including cognac)
ex22.09-2-(1)	Liqueure (excluding clixier Korean ginseng)
ex23.01	Flours and meals, of whale meat
* ex23.03	Residues of starch manufacture from manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and other similar roots and tubers, or sago
* 23.04-1	Oil-cake and other residues resulting from the extraction of soya bean oil
* ex23.04-2	Oil-cake and other residues resulting from the extraction of rape seed oil or mustard seed oil
ex23.07-2	Certain compound feeds (pet foods)
* 25.02	Unroasted iron pyrites
* ex25.04-2	Other nautral graphite, amorphous
* 26.01-5	Tungsten ore
* 27.04	Coke and semi-coke of coal, of lignite or of peat
* 28.42-1	Soda ash
* 29.23-3	Sodium glutamate
29.43-1	Malt sugar
29.43-2	Sorbose
ex29.43-3	Other sugars (hexoses and disaccharides)

Item Number	Description of Goods
* ex29.44-2	Antibiotics, other (chloramphenicol, tetracycline and cycloserine, excluding preparations of derivatives of chloramphenicol or tetracycline)
ex33.04-1	Fruit flavours, of an alcoholic strength of 10 degrees or higher containing fruit juices
ex330.4-2	Other fruit flavours, containing fruit juices
37.02-1-(1)	Cinematographic colour film
* 37.02-2-(2)	Other colour film
41.03-1	Sheep and lamb skin leather, dyed, coloured, stamped or embossed
* ex41.08	Patent leather and imitation patent leather, excluding imitation patent leather manufactured leather falling within heading No. 41.05 of the Customs Tariff Schedules
* ex42.03-1	Articles of apparel of leather or of composition leather, containing furskin or combined or trimmed with precious metals, rolled precious metals, metals plated with precious metals, precious stones, semi-precious stones, pearl, coral, elephant's tusks or "Bekko"
* ex42.03-2	Articles of apparel of leather or of composition leather, other
* ex44.02	Wood charcoal (including shell and nut charcoal), agglomerated or not excluding coconut-shell charcoal
ex46.02-1	"Wara mushiro" (a kind of straw mats)
ex46.03-2	"Wara mushiro" (a kind of straw sack used for the packing of goods)

Item Number	Description of Goods
ex53.11	Woven fabrics of sheep's or lamb's wool or of fine animal hair, containing not less than 30% by weight of sheeps or lamb's wool or fine animal hair, excluding those used for piano
* 54.02	Ramic, raw or processes but not spun, ramic noils and waste (including pulled or garnetted rags)
* 58.10	Embroidery, in the piece, in strips or in motils
* ex64.05-1	Parts of footwear of leather
70.06	Cast, rolled, drawn or blown glass (including flashed or wired glass) in rectangles, surface ground or polished, but not further worked
* ex71.03-2	Synthetic precious or semi-precious stones other (other than polished, perforated or similarly worked)
ex73.15-1-(3)	Alloy tool steel, free cutting steel, and alloy hollow mining drill steel
* 82.07	Tool-tips and plates, sticks and the like for tool-tips, unmounted, of sintered metal carbides (for example, carbides of tungsten molybdenum or vanadium)
ex84.01-1	Steam generating boilers, with a generating capacity of more than 1,300 tons per an hour
* ex84.06-1-(1)	Internal combustion piston engines for motor vehicles (those for motor vehicles (excluding three-wheeled motor vehicles) falling within heading No. 87.02 and No. 87.03 of the Customs Tariff Schedules)
ex84.06-1-(3)	Outboard motors with a rating of not less than 10 HP but less than 20 HP

Item Number	Description of Goods
* ex84.06-1-(4)	Water cooling diesel engines, with a rating of more than 100 HP but less than 1,000 HP
* ex84.06-2	Parts of internal combustion piston engines (pistons, connecting rods and cylinder blocks for internal combustion piston engines)
ex84.35-1	Automatic printing machines of the relief and litographic, sheet fee type excluding offset press with a size not more than 364 mm x 515 mm
ex84.41-1-(2)	Other sewing machines, (excluding straight line lock-stitching industrial sewing machines of not less than U.S.S40.00 per set in CIF value)
ex84.45-1-(1)	Lathes manufactured one year or more ago
ex84.45-1-(2)	Drilling machines and boring machines, manufactured one year or more ago
ex84.45-1-(3)-A	Universal tool milling machines, manufactured one year or more ago
ex84.45-1-(3)-B	Profile milling machines (including die-sinking machines), equipped with one or two milling spindle, of a working surface less than 1 square meter, excluding hand operated type machines and cain type, manufactured one year or more ago
ex84.45-1-(3)-C	Plano-millers, with a table not more than 2,000 mm in width, manufactured one year or more ago
ex84.45-1-(3)-D	Other plano-millers; other milling machines manufactured one year or more ago, excluding other plano-miller in the foregoing
ex84.45-1-(4)-A	Planers, with a table not more than 2,000 mm in width, manufactured one year or more ago

Tariff Item	Description of Goods
84.45-1-(4)-B	Other planers
ex84.45-1-(5)	Grinding machines, manufactured one year or more ago
ex84.45-1-(6)	Gear cutting machines and gear finishing machines, manufactured one year or more ago
ex84.45-1-(7)	Machine tools, other, manufactured one year or more ago
* 84.51-1-(1)	Typewriters designed to work in electrical connection with digital type electronic computers
* 84.52-1-(2)	Other typewriters, western type
* ex84.52	Electronic calculating machines (table type) with memory capacity of less than 2,000 bits, without printer
ex84.63-2	Crank shafts
ex85.01-1	Electric generators with a rating of more than 400,000 kilo-watts
ex85.21-1	Thermionic-valves and tubes of not less than U.S.$5.00 per piece in CIF value (excluding cathode ray tubes for television receivers)
* ex85.21-2	Mounted transistors and similar mounted devices incorporating semi-conductors (digital type integrated circuits; linear type integrated circuits with not less than 35 elements in circuit)
ex87.02-1	Motor vehicles for the transport of persons (including racing cars, passenger jeeps and combined passenger cargo carts, but not including buses falling with heading No. 87.02-2 of the Customs Tariff Schedules, special transport vehicles such as ambulances and motor vehicles of track-laying type) (those once purchased by end-users) (excluding three-wheeled passenger motor cars)

Tariff Item	Description of Goods
ex87.02-4-(3)	Chassis fitted with engines and cabs (those for the transport of persons)
ex87.04	Chassis, fitted with engines, for the motor vehicles falling within heading No. 87.01 or 87.02-1 of the Customs Tariff Schedules.

JAPAN

Items scheduled to remain under Japan's Import Quota system after January 1, 1972

Tariff Item No.	Description of Goods
ex01.02	Live animals of the bovine species, excluding buffaloes
01.03	Live swine
ex02.01-1	Meat and offals, of bovine animals, fresh, chilled or frozen, excluding tongue and internal organs
ex02.01-2	Meat and offals, of pigs, fresh, chilled or frozen excluding tongue and internal organs
02.06-1	Ham and bacon
ex02.06-2	Meat and edible offals, of bovine animals and pigs, salted, in brine, dried or smoked
ex03.01-2-(2)	Herring, cod (including Alaska pollack), yellow-tail, mackerel, sardines, horse-mackerel and sauries excluding roes of yellow-tail, or mackerel, of sardines, of horse-mackerel and of sauries, fresh (live or dead), chilled or frozen
ex03.02-1	Hard roes of cod (including Alaska pollack) and of herring, salted, in brine, dried or smoked
ex03.02-2-(1)	Cod (including Alaska pollack), herring, yellow-tail, mackerel, sardines, horse-mackerel and sauries, salted, in brine, or dried; "Niboshi" (small boiled and dried fish for seasoning use)
ex03.02-2-(2)	Cod(including Alaska pollack), herring, mackerel, sardines, yellow-tail, horse-mackerel and sauries smoked

---

"ex" before an item indicates part of a category.

Tariff Item No.	Description of Goods
ex03.03-2-(1)	Scallops and cuttlefish, live; scallops, adductors of shellfish and cuttlefish, fresh, chilled or frozen
ex03.03-2-(2)	Scallops, adductors of shellfish and cuttlefish, salted, in brine or dried
ex04.01	Sterilized milk and cream and other cream with fatty content 13% or more, fresh, not concentrated or sweetened
04.02	Milk and cream, preserved, concentrated or sweetened
04.03	Butter
04.04-1	Processed cheese
ex04.04-2	Other cheese (excluding natural cheese and curd)
07.05-1	Small red beans
ex07.05-2	Broad beans and peas, excluding seeds for growing vegetables
ex07.05-4	Other dried leguminous vegetables, excluding seeds for growing vegetables
ex07.06	Arrowroot, salep, Jerusalem artichokes, sweet potatoes (excl. fresh sweet potatoes) and other similar roots and tubers with high starch or inulin content, fresh or dried, whole or sliced; sago pith
ex08.02-2	Orange, fresh
ex08.02-4	Tangerines, fresh
ex08.11-2	Oranges, provisionally preserved by sulphur dioxide gas or other preservative gases
ex08.11-3	Grapefruit, tangerines, (Vitis vinifera) and provisionally preserved by sulphur dioxide gas or other preservative gases
10.01	Wheat and meslin
10.03	Barley (including naked barley)

Tariff Item No.	Description of Goods
10.06	Rice
11.01-1	Wheat, flour
ex11.01-2	Rice flour, barley flour (including naked barley flour) and flours of kao-liang and other grain sorghums
ex11.02-1	Groats and meal of wheat and rice, excluding germs thereof; other worked wheat and rice (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared), except husked, glazed, polished or broken rice excluding germs thereof
ex11.02-2	Groats and meal of barley (including naked barley) and Kao-liang and other grain sorghums; other worked barley, (including naked barley) and kao-liang and other grain sorghums (for example, rolled, flaked, polished, pearled or knibbled, but not further prepared)
11.06	Flour and meal of sago and of manioc, arrowroot; salep and other roots and tubers falling within heading No. 07.06 of the Customs Tariff Schedules
11.07	Malt, roasted or not
11.08	Starches; inulin
ex12.01-2	Ground nuts
ex12.07-5 1/	Coca leaves
ex12.07-11 1/	Cannabis plant and poppy straw
12.08-2-(1)	Edible seaweeds, formed into rectangular papery sheets not more than 430 square-centimeters per piece
12.08-2-(2)	Seaweeds of genus Porphyra and other seaweeds mixed with genus Porphyra, edible, excluding those falling within heading No. 12.08-2-(1) of the Customs Tariff Schedules

Tariff Item No.	Description of Goods
ex12.08-2-(3)	Other edible seaweeds (genus Enteromerpha, Monostroma, Kjellmaniella and Lamineria)
ex13.03-9-(2)-B1/	Resin, extracts and tinctures of cannabis raw opium and crude cocaine
14.05-1	Tubers of Konnyaku (Amorphophallus) whether or not cut, dried or powdered
ex14.05-2-(2)	Other seaweeds (genus Porphyra, Enteromorpha, Monostroma, Kjellmaniella and Laminaria)
ex14.05-4	Dates, denatured
ex16.02-2	Other prepared or preserved meat and offals, of bovine animals or pigs; other preparations chiefly consisting of meat and offals of bovine animals or pigs
17.0.-1	Rock candy, cube sugar, loaf sugar and similar sugar, of beet sugar and cane sugar
17.01-2-(2)	Other beet sugar and cane sugar
17.02-1	Grape sugar, not containing added sugar
17.02-2	Malt sugar, not containing added sugar
ex17.02-3	Milk sugar (not containing added sugar), less than 90% pure milk sugar content
17.02-4-(1)	Rock candy, cube sugar, loaf sugar and similar sugar
17.02-4-(2)-B	Other sugar
17.02-5	Sugar syrup
17.02-6	Caramel
17.02-7	Artificial honey
17.02-8	Sugars and syrups, other
17.03	Molasses, whether or not decolourised
ex17.04-2-(2)	Other sugar confectionery (excluding cough drops)

Tariff Item No.	Description of Goods
17.05	Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion
18.06-1	Chocolate confectionery
ex18.06-2-(1)	Other food preparations containing cocoa and added sugar, in powder, plate or lump
ex19.08-1	Cookies, biscuits and crackers containing added sugar
ex19.08-2	Cookies, biscuits and crackers, other
20.02-2-(1)	Tomato puree and tomato paste
ex20.02-2-(2)	Mashed potatoes and potato flakes
ex20.05	Fruit puree and fruit pastes
20.06-1-(1)	Pineapples containing added sugar or spirit
ex20.06-1-(2)	Fruit pulps containing added sugar or spirit
20.06-2-(1)	Pineapples, other
ex20.06-2-(2)	Other fruit pulps and roasted ground-nuts
20.07-1-(1)	Fruit juices containing added sugar
ex20.07-1-(2)	Other fruit juices, excluding soebases
ex20.07-2	Tomato juice, the dry weight content of which is less than 7%
21.04-1-(1)	Tomato ketchup and tomato sauce
ex21.04-1-(2)	Mixed seasonings, chiefly containing of sodium glutamate
ex21.07-1	Food preparations containing added sugar, excluding rations, peanut butter and Korean ginseng tea

Tariff Item No.	Description of Goods
ex21.07-2-(2)	Ice cream powder, prepared milk powder for infants and other preparations maintly consisting of milk; food preparations of seaweeds (genus Porphyra, Enteromorpha, Monostroma, Kjellmaniella and Laminaria); "mochi")roce-cake), cooked rice, raosted rice, flours, enriched rice with vitamin and other similar food preparations of rice, wheat and barley (including naked barley)
ex22.02	Fruit nectar
22.08	Ethyl alcohol, undernatured, of a strength eighty degrees or higher; denatured alcohol of any strength
ex23.01	Flours and meals of fish, residues of fish, unfit for human consumption
ex23.07-2	Compound feeds, excluding those of more than ¥70 per kilogrammes in CIF value (put up for sale by retail, in containers of a capacity not more than 25 KG in net weight) (excluding those containing not less than 35% by weight of crude protein) and residues falling within heading No. 23.03 of the Customs Tariff Schedules (excluding residues of starch manufacture) pelletized by the addition of molasses (not more than 25% by weight of added molasses); and fish soluble unfit for human consumption
24.01	Unmanufactured tobacco; tobacco refuse
24.02	Manufactured tobacco; tobacco extracts and essences
ex25.01	Common salt (including rock salt, sea salt and table salt; pure sodium chloride; salt liquors
ex25.03	Sulphur of all kinds (excluding insoluble sulphur), other than sublimed sulphur, precipitated sulphur and colloidal sulphur
ex25.32-1-(2) 1/	Ores of radio-active elements
ex26.01-8 1/	Gold ore and metal ore of radio-active element
ex26.03-2 1/	Slag of gold

Tariff Item No.	Description of Goods
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal
27.02	Lignite, whether or not agglomerated
ex27.10-1-(3)	Gas oils, excluding those in containers of a capacity less than 300 liters
ex27.10-1-(4)	Heavy fuel oils and raw oils, excluding those in containers of a capacity less than 300 liters and raw oils for refining
ex27.10-1-(6)	Other petroleum oils and oils obtained from bituminous minerals, excluding those in containers of a capacity less than 300 liters
ex28.50 1/	Fissile chemical elements and isotopes, compounds, inorganic or organic, of such elements or isotopes whether or not chemically defined; alloys dispersions and cermets, containing any of these elements, isotopes or compounds
28.52-1 1/	Compounds, inorganic or organic, of thorium or of uranium depleted in U235
ex29.05-2-(1)	Menthol
ex29.22-5 1/	Phenyl-aminopropane and its salts
ex29.23-4 1/	Methadone group synthetic narcotic drugs excluding those having the morpholine nucleus
ex29.25-5 1/	Aniline group synthetic narcotic drugs
ex29.27-3 1/	Methadone group synthetic narcotic drugs excluding those having the morpholine nucleus
ex29.35-11 1/	Aminobutane group synthetic narcotic drugs, aniline group synthetic narcotic drugs, benzimidazole group synthetic narcotic drugs, benzomorphone group synthetic narcotic drugs, methadone group snythetic narcotic drugs (those having the morpholine nucleus), morphinan group synthetic narcotic drugs and pethidine group synthetic narcotic drugs

Tariff Item No.	Description of Goods
ex29.42-1 1/	Opium alkaloids and their derivatives (narcotic drugs)
ex29.42-3-(3) 1/	Ecgonine, cocanine, cocaine hydrochloride and concaine sulphate
ex29.42-3-(6) 1/	Ephedrine and its compounds; compounds of ecgonine
ex30.02-1	Microbial vaccines (excluding yellow fever vaccine, distemper vaccine combined distemper vaccine, mink enteritis vaccine mink enteritis vaccine combined with clostretium botulinum type C toxoid)
ex30.02-2	Immune scrum (excluding distemper serum and combined distemper serum)
ex30.03-4 1/	Preparations containing phenylaminopropane, phenylmethylaminiopropane or any of their salts; preparations of opium alkaloids or their derivatives (narcotic drugs), preparations of ecgonine, cocaine, cocaine hydrochloride or cocaine sulphate; preparations of aminobutane group synthetic narcotic drugs, aniline group synthetic narcotic drugs, benzimidacole group snythetic narcotic drugs, benzomorphane group synthetic narcotic drugs, methadone group synthetic narcotic drugs (including those having the morpholine nucleus), morphinan group synthetic narcotic drugs or pethidine group snythetic narcotic drugs
ex33.01-1-(3)	Peppermint oil (excluding peppermint oil of mitcham type) and crude peppermint oil
35.05	Dextrins and dextrin glues; soluble or roasted starches; starch glues
36.01 1/	Propellent powders
36.02 1/	Prepared explosives, other than propelent powders

Tariff Item No.	Description of Goods
36.03 1/	Mining, blasting and safety fuses
36.04 1/	Percussion and detonating caps; igniters and detonators
ex38.12-2	Prepared dressings for starching
41.02	Bovine cattle leather (including buffalo leather) and equine leather, except leather falling within heading No. 41.06, 41.07 or 41.08 of the Customs Tariff Schedules
41.04-1	Goat and kid skin leather, dyed, coloured, stamped or embossed
ex64.02-1	Footwear (excluding those for sports and slipper), with the uppers of whole leather or of furskin and leather in part
ex64.02-2-(1)	Footwear (excluding those for sports and slipper), with outer soles of leather and with the uppers of leather in part
ex71.11-2 1/	Goldsmith',silversmiths' and jewellers' sweeping residuse, lemels and other waste and scrap of gold and gold alloys
81.04-1 1/	Uranium depleted in U235 and articles thereof
ex81.04-2-(3) 1/	Unwrought powders, flakes, waste and scrap of thorium
ex81.04-3 1/	Thorium and articles thereof, cermet containing thorium and articles thereof
ex84.05-1-(1)	Steam turbines, with a rating of more than 400,000 kilo-watts
84.08-1-(1)	Engines and motors for aircraft

Tariff Item No.	Description of Goods
84.08-2-(1)	Parts of engines and motors for aircraft
ex84.52-1-(1)	Digital type electronic computers and the machines of following descriptions, if imported with digital type electronic computers; input units, output units, input-output units and memory units, designed to work in electrical connection with the computers above, and controllers belonging to the machines of all the foregoing
84.53-1	Digital type electronic computers and the machines of following descriptions, if imported with digital type electronic computers, excluding electronic calculating punches with self-contained mechanism for reading and punching cards; input unit, output units, input-output units and memory units, designed to work in electrical connection with the computers above, and controllers belonging to the machines of all the foregoing
84.53-2	Input units, output units and input-output units designed to work in electrical connection with digital type electronic computers (other than those specified in heading No. 84.53-1 of the Customs Tariff Schedules)
84.54-1	Input units, output units, input-output units and memory units designed to work in electrical connection with digital type electronic computers; magnetic tape converters and magnetic tape printers used together with those machines
ex84.55	Parts sutiable for use solely or principally with machines of kind falling within heading No. 84.51-1-(1), 84.52-1-(1), 84.53-1, 84.53-2 or 84.54-1 of the Customs Tariff Schedules
84.59-6 1/	Nuclear reactors and parts thereof

Tariff Item No.	Description of Goods
ex85.13	Telephone switchboards and exchanges (electronic system)
ex85.15-3	Radar apparatus (for aircraft)
ex85.15-4	Radio navigational aid apparatus for aircraft and radio remote control apparatus for aircraft
85.22-1	Controllers for digital type electronic computers or for the machines of following descriptions:input units, output units, input-output units or memory units designed to work in electrical connection with the computers above, and magnetic tape converters or magnetic tape printers used together with the machines of all the foregoing
ex85.22-2	Other electrical goods and apparatus (those suitable for use solely or principally with machines of a kind falling within heading No. 85.22-1 of the Customs Tariff Schedules)
87.08 1/	Tanks and other armoured fighting vehicles, motorized, whether or not fitted with weapons and parts of such vehicles
88.01 1/	Ballons and airships
88.02	Flying machines, gliders and kites; rotochutes
88.03	Parts of goods falling in heading No. 88.01 or 88.02 of the Customs Tariff Schedules
88.04 1/	Parachutes and parts thereof and accessories thereto
88.05 1/	Catapults and similar aircraft launching gear; ground flying trainers, part of any of the foregoing articles
ex89.01 1/	Warships
ex90.28-3 1/	Instruments of apparatus for measuring or detecting alpha, beta, gamma, X-ray, cosmic or similar radiations (those containing nuclear fuels materials)

Tariff Item No.	Description of Goods
93.01 1/	Side-arms (for example, sword, cutlasses and bayonets) and parts thereof and scabbards and sheaths thereof
93.02 1/	Revolvers and pistols, being firearms
93.03 1/	Artillery weapons, machine-guns, sub-machine-guns and other military firearms and projectors (other than revolvers and pistols)
93.04 1/	Other firearms, including very light pistols, pistols and revolvers for firing blank ammunition only, line-throwing guns and the like
93.05 1/	Arms of other descriptions, including air, spring and similar pistols, rifles and guns
93.06 1/	Parts of arms, including roughly sawn gun stock blocks and gun barrel blanks, but not including parts of side-arms
93.07 1/	Bombs, grenades, torpedoes, mines, guided weapons and missiles and similar munitions of war, and parts thereof; ammunition and parts thereof, including cartridge wads; lead shot prepared for ammunition

1/ National Security Item

Summary of Japanese Liberalization Announcements

Since April 1, 1969

1. On April 1, 1969, Japan removed import quotas on all or part of six four-digit BTN categories.

2. On October 1, 1969, Japan shifted 133 items from the AIQ to the AA list. In addition, two items were liberalized from the IQ to the AA list, and three more items were transferred from IQ to AIQ.

3. In an announcement dated October 17, 1969, Japan released a list of 55 items to be removed from the IQ list by January 1, 1972. No categories were officially liberalized at this time.

4. On February 14, 1970, nine items, all of which were part of the 55 scheduled for liberalization, were removed from the Import Quota list. Five went directly to Automatic Approval and 4 were transferred to AIQ.

5. Effective April 1, 1970, Japan announced liberalization of 11 items previously under import quotas. Six items went directly to Automatic Approval, while 5 were shifted to the AIQ list. In the same announcement Japan added 5 items to its list of 55 commodities to be liberalized by December 1971.

Japanese Imports - By Licensing System
1969 - $ Millions

	From World	From U.S.	
TOTAL - ALL SYSTEMS	$15,024	$4,090	
Agricultural		922	
Industrial		3,168	
IMPORT QUOTA (IQ)	2,174	974	
Agricultural (BTN Chap. 1-24)		222	
Wheat & meslin			133
Unmanufactured tobacco			49
Manufactured tobacco			4
Total			186
Industrial		752	
Coal			365
Computers, parts & accessories			104
Aircraft engines & parts			27
Aircraft & parts			34
Total			530
Scheduled to be Liberalized by Dec. 1971			
Agricultural		7	
Industrial		16	
AUTOMATIC IMPORT QUOTA (AIQ)	1,851	610	
AUTOMATIC APPROVAL (AA)	10,999	2,506	

Progress Toward Eliminating Barriers to U.S. Exports

During the June 1968 hearings on foreign trade and tariff proposals, summaries of progress in the elimination or reduction of trade barriers maintained by our major trading partners in the General Agreement on Tariffs and Trade were submitted to the Ways and Means Committee. The following material describes further actions taken by these countries in removing trade barriers since mid-1968.

Australia

In response to U.S. initiatives, Australia agreed on July 29, 1968 to a temporary halt on its subsidy of canned peach exports to major markets. The Australian government did not reinstate the subsidy at the expiration of the one-year moratorium and is not expected to resume export payments on canned peaches.

Austria

Austria removed import restrictions on matches in 1968 and on dead poultry in 1969. In February 1969 in response to U.S. requests Austria revoked its import fee on vegetable oilcake and agreed further that it would not replace the fee with a domestic tax or other measure of equivalent effect. A current draft procurement law proposes to eliminate discrimination against foreign firms in Federal Government procurement.

Benelux

On January 1, 1970, the Benelux countries liberalized imports of penicillin and medicaments containing penicillin.

Canada

Canada revised its antidumping legislation effective January 1, 1969 to include a provision requiring a finding of injury to domestic industry before an antidumping duty can be levied. The legislative change was necessary for Canada to adhere to the GATT International Antidumping Code.

Denmark

Denmark liberalized imports of fresh and preserved peas and broccoli and certain fermented beverages, such as cider, in 1968. Quantitative restrictions were removed on certain frozen or prepared fruits, macaroni and spaghetti, and live sheep and goats except breeding animals, in 1969. Effective January 1970, frozen and canned spinach, roasted coffee and coffee substitutes containing coffee, and wines and vermouths of fresh grapes were freed of import restrictions.

Finland

In 1969 slight progress was made in easing credit restrictions on imported automobiles. For cars imported from the United States and other countries, the down-payment was reduced from 60 percent to 50 percent with 12 months instead of 9 to pay the balance. For imports from certain bilateral trading countries such as the USSR and Czechoslovakia, the minimum down-payment required was reduced from 40 percent to 30 percent and the time in which to pay the balance was increased from 18 months to 20 months.

France

In July 1969 quantitative restrictions were eliminated on aircraft of weights up to 15 tons and on all helicopters. France also removed quantitative restrictions on the importation of pork lard and pork grease that are to be used for industrial purposes only. While the French Government recently agreed to liberalize licensing on semiconductors, importers are still encountering some difficulty in obtaining licenses.

Federal Republic of Germany

Import restrictions on processed cherries were eliminated in 1968.

Italy

In December 1968, Italy announced liberalization of salt and pure sodium chloride, sulphur, citric acid and crude calcium citrate, tulle net fabrics and mechanically-made lace and lace goods, articles of gold, and jewelry and other articles of precious metals. A bilateral quota was established in 1969 for wines originating in and coming from the United States. In March 1970, Italy reduced its border tax adjustments.

Japan

See separate paper on Japan.

New Zealand

The New Zealand Government exempted seventeen tariff items, mainly machinery, from import licensing effective November 1968. Included in these exemptions were equipment for bookbinding, papermaking, printing glassworking, textile and cement industries. The 1970-71 Import Licensing Schedule eliminates licensing requirements for a variety of items. Products which will no longer require import licenses after July 1, 1970 include electronic data processing machines, plastic raw materials in powder and granular form, canned fish, pulses, certain iron and steel shapes, pneumatic tires and tubes, knitting machines, certain musical instruments, and outboard and inboard marine engines. As a result of these exemptions, approximately 68 percent by value of all private (non-governmental) imports will be free of import licensing controls after July 1, 1970.

United Kingdom

In 1967 import restrictions were lifted on aircraft of an all-up weight of over 4500 pounds imported from the dollar area. Similar restrictions were removed that year on most types of pig meat. Also in 1967 the United Kingdom eliminated its 1¼ to 3¼ percent export rebates which covered a broad range of products. The 50 percent import deposit requirement imposed in late 1968 was reduced to 40 percent, effective for a one-year period beginning December 1969, and more recently to 30 percent. The steel loyalty rebate of up to £ 4 per ton initiated in July 1967 was eliminated in June 1969.

Congressional Declaration

In his message accompanying the "Trade Act of 1969" the President said that he "would welcome a clear statement of Congressional intent with regard to nontariff barriers to assist in our efforts to obtain reciprocal lowering of such barriers." But such a declaration is not intended to be used as a "blank check". On the contrary, the President pledged "to maintain close consultation with the Congress during the course of any such negotiations, to keep the Congress fully informed on problems and progress, and to submit for Congressional consideration any agreements which would require new legislation. The purpose of seeking such an advance declaration is not to bypass Congress, but to strengthen our negotiating position."

Under the Constitution (Article I, Section 8) the Congress has the power to "lay and collect" import duties. Since 1934 Congress has periodically delegated to the President prior authority to implement negotiated tariff reductions. In order to stay within Constitutional limits this delegation of authority has been limited and carefully circumscribed.

Such a prior Congressional delegation of authority to the President is probably not feasible in the case of non-tariff barriers (NTB's), which are usually imbedded in a variety of domestic laws. Because of their heterogeneous nature there is no common standard applicable to them that would lend itself to a general delegation of authority. Therefore, unless Congress were to spell out in great detail the specific measures that might be taken on various individual NTB's, Congressional action to implement NTB negotiations would have to take place after rather than before agreements were negotiated. In other words, NTB's would have to be negotiated on an ad referendum basis.

The Executive has consistently taken the view that the President has inherent constitutional power to negotiate agreements with other countries and does not need Congressional authority to do so. However, because of the necessity to submit negotiated agreements to the Congress for approval, the President's hand in NTB negotiations would be greatly strengthened by a Congressional statement favorable to them. Such a statement would in no way commit the Congress with respect to any agreements that might be concluded. It would greatly facilitate present U.S. efforts directed toward the elimination and reduction of NTB's, if the Congress were to indicate that it favors NTB negotiations, appreciates that matters of U.S. domestic law and practice will be involved, and is prepared to consider any specific agreements on their merits.

Summary of U.S. Government Efforts to Identify Nontariff Trade Barriers (NTB's)

1. Bureau of International Commerce (BIC) solicitations for NTB complaints through Commerce Department Field Offices and through the weekly publication International Commerce (1962-1963).

2. Business and Defense Services Administration (BDSA) Industry Conferences (1963). These meetings were held with 64 industries covering the major areas of domestic economic activity in order to allow the participating industries an opportunity to advise Commerce on specific foreign tariff and nontariff barriers affecting their exports for use by the United States negotiators in the Kennedy Round.

3. BDSA/BIC Questionnaire Survey of Foreign NTB's (1963). This survey covered over 2,000 U.S. exporting firms for the purpose of further documenting and estimating the effect on exports of specific NTB problems for use in the Kennedy Round.

4. Public Hearings before the Trade Information Committee and the Tariff Commission (1964) as provided for by the Trade Expansion Act to afford interested parties the opportunity to present their views concerning any matter relevant to trade agreement negotiations.

5. Hearings before the Subcommittee on Foreign Economic Policy of the Joint Economic Committee (1967). The hearings preceded a JEC reassessment of U.S. foreign trade policy following conclusion of the Kennedy Round in June 1967.

6. Public Hearings before the Trade Information Committee (1968) on the Future of U.S. Foreign Trade Policy. Views of interested parties were reflected in the Report to the President on Future U.S. Trade Policy submitted by the Special Representative for Trade Negotiations in January 1969.

7. Hearings before the House Committee on Ways and Means (1968). The hearings encompassed not only the Administration's trade proposal but also a series of trade policy issues, including NTB's.

8. Formal operating procedures have been established within the Commerce Department to deal with the wealth of data developed through these previous sources. This system assures that

(1) formal written records of each NTB reported are systematically and promptly established; (2) decisions for appropriate action are made and agreed upon by country, trade policy, and commodity specialists; (3) complainants are informed of actions and results; and (4) periodic progress reports are prepared.

Tripartite Harmonization of Electronic Components Systems

The European scheme for electronic components represents an effort by the West European countries to harmonize standards and quality assurance procedures in order to broaden the market for their electronics industries. The scheme provides for the harmonization of specifications and the establishment of compatible systems of inspection and quality control in the participating countries. Products from approved manufacturing plants will bear a mark of conformity, which signifies that they will be acceptable in any of the participating countries without further testing. This would make it possible to have longer production runs than are possible with sales in only one country.

The designation "Tripartite" derives from the fact that the scheme was developed by the Tripartite Committee on Standardization, which is made up of standards experts from France, the Federal Republic of Germany and the United Kingdom. After the Tripartite Committee, which began its work on electronic components in 1967, had completed its first draft of the Basic Rules for the system it invited representatives from the member countries of the European Electrical Standards Coordinating Committee (CENEL), which includes the EC and EFTA countries plus Finland, to participate. Of these, Belgium, Denmark, Finland, Italy, The Netherlands, Norway and Sweden took part in working out the details of the scheme. In 1969 the Tripartite Committee requested CENEL to take over the administration of the scheme as far as the harmonization of specifications is concerned. For this purpose CENEL set up the CENEL Electronic Components Committee (CECC), which in April 1970 accepted the final version of the Basic Rules. A separate organization with similar membership, the Electronic Components Quality Assurance Committee (ECQAC) was established to supervise the inspection and quality control aspects of the system. The participating countries hope to produce the first harmonized specification by the end of this year and have the scheme in operation in 1971 or 1972.

In 1968 the United States Government contacted the Governments concerned to ascertain what effect the Tripartite scheme might have on exports of U.S. electronic components to Western Europe (which amounted to $280 million in 1969). The information developed indicated that the scheme could hamper U. S. exports seriously because there was no way for them to obtain the mark of conformity and they would hence be subject to additional testing and expense. Accordingly, the U.S. Government made representations to the Tripartite Governments that it considered the scheme to be a potential non-tariff barrier to U.S. exports and requested that arrangements be made for U.S. observers to attend meetings at which the scheme was being developed. Although the Tripartite Governments were unwilling to have non-European observers, they authorized the British Ministry of Technology to send a delegation to the United States in October 1969 to explain the scheme and discuss its ramifications with U.S. Government and industry representatives. As a result of the above meeting correspondence was initiated on the possibility of U.S. participation in an expanded international scheme for the harmonization of electronic components. Apparently because of clearance problems among the countries, however, replies from the European side were slow in coming. Partly to speed things up and partly to clarify questions about the operation of the scheme that had been raised in Government and industry circles, a mission headed by Deputy Assistant Secretary of Commerce Richard Simpson went to London, Paris, Bonn, Milan (where the chairman of the CECC resides), and Brussels (headquarters of the EC and NATO) to discuss the electronic components scheme and other standardization questions. The mission learned that the CENEL countries had agreed to hold discussions with the United States and other interested countries on how the CENEL scheme could be expanded to a worldwide system. They made it clear that the United States would have to agree to conform to the CENEL system in order to participate. This would entail designating one organization competent to speak for the United States in matters dealt with by the scheme, establishing a unified quality assurance and inspection system and making some modifications in our Military Specifications system.

The mission also confirmed its earlier impression that the electronic components scheme was only the first in a series of harmonization projects being developed in Europe for a wide range of products such as pressure vessels, gas appliances, fire extinguishers, pipelines, etc. These projects, if carried out in a discriminatory manner, could also have a restrictive effect on U.S. exports.

Discussions are now underway among the agencies and with industry about the administrative and technical problems involved in U.S. participation in the international electronic components scheme and other international harmonization projects. Meanwhile the United States has submitted a formal complaint about the scheme to the GATT Committee on Trade in Industrial Products which is currently examining non-tariff barriers of member countries.

GENERALIZED TARIFF PREFERENCES FOR LDCs

The question of providing preferential tariff treatment for products originating in LDCs--particularly their manufactures--has been under discussion in international forums (GATT, OECD, UNCTAD) for several years. A consensus has emerged in favor of the early establishment of a temporary non-reciprocal and non-discriminatory generalized system of preferences for all LDCs in all DC (developed country) markets. The objectives would be to increase LDC export earnings, promote their industrialization, and accelerate their rates of economic growth.

US Proposal

Following intensive study within the US Government, President Nixon announced on October 31, 1969 that the US would participate in a temporary generalized preference system subject to Congressional approval and would press for adoption of a liberal preference system by all of the industrialized countries. He said that we would seek a system which would eliminate the discrimination against Latin America resulting from existing special preferences (e.g. in the Common Market) and the reverse preferences which some DCs enjoy in some LDC markets.

On the basis of the President's decision, the US submitted a detailed proposal to the OECD on November 3, 1969 (see attachment). Key elements include: duty-free entry for LDC manufactured and semi-manufactured products (except textiles, shoes, petroleum and petroleum products) and a selected list of agricultural and fishery products; no built-in ceilings on preferential imports; reliance on the standard escape clause and adjustment assistance as safeguards for domestic industry. LDCs that grant reverse preferences, or that receive special preferences on products covered by the scheme, would not benefit from US preferences.

Status of International Discussions

The US proposal and the proposals of the other prospective preference-granting countries were transmitted by OECD to UNCTAD on November 14, 1969. They will be discussed with the LDCs at a meeting of the UNCTAD Special Committee on Preferences beginning March 31 in Geneva.

The US attaches great importance to adoption of a common scheme by all major DCs. The US and other DCs including the UK, the Scandinavians, and Canada favor use of an escape clause to safeguard domestic industry; the European Communities (EC) and Japan propose that preferential imports be limited by pre-determined ceilings. The EC has indicated a willingness to explore possibilities of bringing the schemes closer together and discussions are continuing bilaterally and in the OECD.

It is difficult to predict how rapidly international consideration of the issues will proceed or when legislation will be requested from Congress.

The President has stated that if we are unable to obtain agreement on a generalized preference scheme, the US would consider other alternatives to assure the Latin Americans preferential access to the US market.

US PROPOSAL FOR A SYSTEM OF GENERALIZED TARIFF PREFERENCES FOR THE LDCs

1. Preferential duties to be set at zero.

2. Preferences to be granted on manufactured and semi-manufactured products in BTN Chapters 25-99, excepting only textiles, shoes, and petroleum and petroleum products. (Copies of the US Exceptions List for footwear and textile products are available. Identification of petroleum and petroleum products to be excluded from preferential treatment has been deferred until the current review of petroleum import policy is completed and US policy is determined.) Preferences also to be granted on a selective list (Positive List-See No. 9) of agricultural and fishery products.

3. A simple scheme, without ceilings on preferential imports, which would rely on the standard escape clause and adjustment assistance as safeguards for domestic industry.

4. A temporary scheme, that is, one lasting not more than ten years, which would not constitute a binding commitment and would not impede future tariff reductions on a most-favored-nation basis.

5. A common scheme to be adopted by all major developed countries.

6. Developing countries which receive special preferences in developed country markets for products covered by the scheme would be excluded from US preferences. (This is aimed at eliminating the discrimination some LDCs, including particularly Latin America, encounter in some DC markets.)

7. Developing countries which grant reverse preferences to developed countries would be excluded from US preferences. (This is aimed at eliminating some of the discrimination some DCs and LDCs, including the United States and Latin America, encounter in some LDC markets.)

8. In general, preferences are to be granted to all developing countries. The identification of beneficiary countries is still under discussion.

9. With respect to agricultural and fishery products in Chapters 1 to 24 of the Brussels Nomenclature, preferences would apply to a Positive List of items. (Copies of the US Positive List are available.)

Japanese Restrictions on Private Investment

Among the industrialized market economy countries Japan continues to maintain the most elaborate regime of restrictions on inward private investment. As a general rule foreign interests may not hold more than 15% of the equity of a company in a "restricted" industry (e.g., transportation, mining, utilities) or more than 20% of the equity of a company in other industries, nor may a single foreigner hold more than 7% of the equity of any Japanese company.

Japanese Government approval of larger equity holdings (than those indicated above) by foreign interests is generally limited to investment in new enterprises in some 205 industries designated under the first two of the Government's four-stage, five-year liberalization program initiated in 1967. In 160 of these industries, the maximum permissible foreign equity participation is 50%; in the other 45 industries, the foreign equity participation may be as much as 100%. The liberalization program to date has been [illegible]rhly unsatisfactory, because the liberalized industries are limited in number and are held mainly to sectors where Japanese firms are strongly competitive (e.g., restaurants, radio/TV receivers, brewing, motorcycles, rayon, cement, shipbuilding, tourist hotels, etc.)

The U.S. has continuously pressed for greater liberalization of Japan's investment restrictions, especially in the automotive field because of very strong industry interest. This pressure may have been partly responsible for the Japanese Government's announcement last October that investment in new Japanese automobile enterprises would be "liberalized" in October 1971 to permit up to 50% foreign participation. Our automobile industry, however, is not satisfied with this step.

With respect to outward remittances and investments, the Japanese Government has taken a number of liberalization steps, including the approval of the creation of Japanese banks in London, raising of the ceiling on tourist allowances, increasing of the limits on loans to overseas branches, and permitting of remittances for certain previously blocked accounts.

The recent liberalizations are in the desired direction but they are not nearly sufficient. Japanese restrictions are completely unwarranted for an industrial nation; they should be rescinded in order to permit investment at least to the extent permitted by other industrial nations. The U.S. has stressed this theme with the Government of Japan in the Joint Cabinet Meeting, in trade discussions, and in various unofficial business and trade conferences. The Communique reporting the Nixon-Sato meeting last November also recognized the need for further liberalization of Japanese investment restrictions.

Japan's foreign exchange surplus and increasing discussion of possible yen revaluation subject the GOJ to growing pressures The obvious priority in reducing the surplus, in the short run, is to liberalize commodity imports and promote capital exports. Though dramatic import liberalization measures are not expected in the near future, there are indications that the Japanese Government may accelerate announcement of the third and fourth stages of its investment liberalization program which were originally scheduled for the fall of 1970 and April 1, 1972, respectively. However, it appears that even by the end of the present liberalization program, investment in most industries of interest to U.S. investors will be limited to a maximum of 50% foreign participation, and foreign direct investment in a number of "strategic industries" will probably continue to be barred.

Tariff Commission Investigation of TSUS Items 807.00 and 806.30

Item 807.00 of the Tariff Schedules of the United States provides for articles assembled abroad in whole or in part of fabricated U.S. components. When such articles are imported, duty is not assessed on the value of the U.S. components, but only on the remainder of the article. Item 806.30 is a similar provision for metal articles exported for processing and returned to the United States for further processing.

The Tariff Commission, in submitting to Congress the revised Tariff Schedules which became effective in August 1963, described item 807.00 as "a new provision designed to replace and put on a sound basis an anomalous, but well-established practice." This practice had arisen out of a long-standing provision for duty-free treatment of U.S. products exported and returned without having been advanced in value or improved in condition by any process of manufacture or other means. Customs courts had held this duty-free provision applicable to products returned to the United States as components in an article if the U.S. component could be identified and had not been changed in any manner other than by assembly with other parts into a new or different article.

A rapid and large increase in imports using the 807.00 provision has given rise to the charge by labor representatives that the provision is used extensively by U.S. manufacturers to avoid paying domestic wage rates and therefore has the effect of exporting U.S. jobs. In 1967-68, the AFL-CIO complained to the Labor Department, the State Department, and the White House that U.S. manufacturers were exporting jobs particularly in establishing plants in Mexico under the Mexican Government-sponsored border industrialization program and returning finished and semi-finished products to the United States. The AFL-CIO alleges that item 807.00 encourages this movement of plants to the Mexican border area and facilitates the Mexican requirement that border industry output be exported. In the past few years various AFL-CIO Convention resolutions have called for repeal of item 807.00 and similar U.S. tariff provisions on the broader grounds that they encourage off-shore production and labor-intensive assembly of U.S. components abroad.

U.S. and foreign manufacturers who use item 807.00 contend it encourages the use of U.S. components in the assembly of items which can then compete successfully in U.S. and foreign markets with products wholly of foreign manufacture and that repeal of item 807.00 would have a detrimental effect on their competitiveness and on the U.S. producers of the components. Some contend that assembly outside the country would continue even if duty were assessed on the full value of the articles.

In 1968, an interagency task force was established to examine the operations under item 807.00 On the basis of the task force conclusions and recommendation the President on August 18, 1969, requested a detailed study of the matter by the Tariff Commission (see attachment). The Commission report is due not later than August 31, 1970. The Tariff Commission has scheduled public hearings to begin on May 5. As of April 1, requests to testify had been received from 62 firms and organizations.

Two bills to repeal item 807.00 have been introduced in the House, H.R. 14188 by Representative Wilbur Mills (Ark.) and H.R. 14455 by Representative William J. Green (Pa.).

THE WHITE HOUSE

WASHINGTON

August 18, 1969

Dear Mr. Chairman:

I hereby request that the Tariff Commission conduct an investigation, under section 332 of the Tariff Act of 1930, and report to me at the earliest opportunity, but not later than January 31, 1970,* on all relevant economic factors affecting the use of items 806.30 and 807.00 of the Tariff Schedules of the United States. The Commission's report should include, but not be limited to, an analysis of

(1) the competitive relationship in U.S. consumption of articles admitted under items 806.30 and 807.00 and other like or directly competitive articles;

(2) the operations of U.S. industries, or firms, utilizing items 806.30 and 807.00 of the TSUS, including data with respect to their production, imports, exports, foreign investments in production facilities, and the effect of the operation of these provisions upon their competitive position in the U.S. and in foreign markets;

(3) the effect of operations under these provisions of the TSUS upon the U.S. balance of payments; and

(4) the relationship of these provisions and imports thereunder to employment opportunities and wage levels in the United States, particularly in the industries utilizing these provisions; and

(5) the probable effect of repeal of either 806.30 or 807.00, or both.

I am asking the Secretary of Labor to make available to the Commission any data at his disposal pertinent to this matter and any other assistance which the Commission may require from his department in the conduct of this investigation.

---

* The reporting date has been extended to August 31, 1970.

I am also making similar requests on furnishing data and assistance to the Secretary of the Treasury, the Secretary of Commerce, and to the heads of other agencies concerned.

Sincerely,

Honorable Glenn W. Sutton
Chairman
United States Tariff Commission
Washington, D. C.

Item 807.00 Import Statistics

The total value of imports under item 807.00 has increased from $577.4 million in 1965 to $1.6 billion in 1969. American components included in these imports were valued at $76.2 million in 1965 and $339.4 million in 1969. Most imports are products provided for in parts 3 through 6 of schedule 6 of the Tariff Schedules of the United States which cover metal products, machinery and mechanical equipment, electrical machinery and equipment, and transportation equipment. The largest single item imported under item 807.00 is automobiles, primarily from Germany and Sweden, which accounted for $720.6 million of the total value of imports in 1969, but which accounted for only $4.2 million of the American-made components. Electronic semiconductors appear to be one of the largest items in terms of the value of American components. Imports of semiconductors, which come from a number of countries, were valued at about $106.3 million in 1969, of which $62.5 million were nondutiable U.S.-made parts.

Imports under item 807.00 come from more than 50 countries, both industrialized and less developed, and for some of these, the trade involved is significant (see table attached). Imports under this tariff provision from Mexico have grown more rapidly than imports from any other country, increasing from $3.1 million in 1965 to $145.2 million in 1969. In the latter year, Mexico became the third largest source of such imports, exceeded only by West Germany and Canada. Mexico accounted for slightly less than nine percent of total U.S. imports under item 807.00 in 1969, but accounted for 28 percent ($95.8 million) of the total value of nondutiable U.S. components entered under this item.

U.S. IMPORTS FOR CONSUMPTION UNDER TSUS 807.00 BY COUNTRY 1965-1969

($1,000,000)

Country	1965 Total	1965 U.S. Parts	1966 Total	1966 U.S. Parts	1967 Total	1967 U.S. Parts	1968 Total	1968 U.S. Parts	1969 Total	1969 U.S. Parts
West Germany	248.5	4.0	443.7	4.7	464.4	7.9	685.7	7.8	616.8	5.6
Canada	151.0	34.7	116.3	36.6	137.8	39.5	188.1	48.9	243.2	66.9
Sweden	31.8	1.3	44.2	1.9	60.0	1.3	81.7	1.3	58.2	0.2
United Kingdom	43.6	6.6	112.5	13.2	53.7	9.5	57.0	7.0	74.1	9.4
Hong Kong	19.5	10.5	41.1	18.9	51.2	16.4	64.7	35.2	90.7	50.7
Japan	27.1	3.1	42.0	9.0	32.4	7.1	90.4	17.0	132.9	22.5
France	9.1	3.0	33.3	10.3	28.6	8.7	22.3	7.0	21.3	6.7
Mexico	3.1	1.3	7.0	3.6	19.2	12.3	73.3	49.5	145.2	95.8
Ireland	9.5	3.9	16.3	5.1	17.0	4.6	17.5	4.5	19.8	5.4
Belgium 1/	11.4	3.8	8.9	3.3	16.2	6.0	44.9	5.2	74.0	5.4
Taiwan	1.8	0.9	6.6	3.4	16.2	7.3	49.9	18.8	68.1	23.6
Other	21.0	3.1	17.9	3.3	35.0	26.0	56.5	23.1	104.9	47.2
Total	577.4	76.2	889.8	113.3	931.7	146.6	1,432.0	225.3	1,649.2	339.4

1/ Includes Luxembourg.

Note: The eleven specified countries accounted for 93 percent of the total value of imports under TSUS 807 and 86 percent of the U.S. component value of such imports in 1969.

Source: Unofficial Statistics of the Department of Commerce.

Unfair Import Competition-(Section 337)

Unfair methods of competition and unfair acts in the importation of articles into the United States are unlawful under Sec. 337 of the Tariff Act of 1930 if the effect or tendency is to destroy or substantially injure an industry, prevent the establishment of an industry, or to restrain or monopolize trade and commerce. When these conditions exist, the articles involved may by Executive Order be excluded from entry into the United States. Section 337 authorizes the Tariff Commission to investigate alleged unfair methods of competition and unfair acts and to submit its findings to the President to assist him in making decisions under that Section.

Since World War II, the Tariff Commission has received 53 complaints of alleged unfair competition or unfair acts in importation. Forty-six of these complaints concerned alleged patent violations by imported articles. Upon receipt of a complaint, the Commission institutes a preliminary inquiry to determine whether a full investigation is warranted. Thirty-nine of the complaints were dismissed or withdrawn without becoming full investigations; 11 resulted in full investigations; and 3 1/ are currently (3/23/70) in the preliminary inquiry stage. The outcome of the 11 full investigations was as follows:

a) One (tractor parts) is pending in the Commission
b) Seven were either withdrawn, or concluded with no finding, or concluded with a negative finding (including one 3-3 finding in which the President accepted the negative finding as the finding of the Commission).
c) Three (all involving patent violations) had positive findings, with a recommendation that an exclusion order be issued:
   i) Synthetic star sapphires--After submitting its report to the President, the Commission received information of an agreement between the complainant and foreign producers which rendered the issue moot. The recommendation to the President was therefore withdrawn and the case dismissed.
   ii) Self-closing containers (squeeze purses)--The Commission's recommendation was not accepted by the President.
   iii) Furazolidone--A temporary exclusion order was issued by President Johnson on August 28, 1968 after receiving a 2-2 preliminary finding from the Commission when it completed its preliminary inquiry and ordered a full investigation. The full investigation was completed in November 1969 with a positive finding and recommendation that the temporary exclusion order be made permanent. Action by the President on this investigation is pending (3/23/70).

The exclusion of imports of furazolidone was the first such action taken under Section 337 since 1936. Following the announcement of the exclusion order interest of domestic producers in possible use of this provision increased sharply, and there has been speculation in the press and elsewhere that the Tariff Commission could expect a substantial increase in complaints under Section 337.

1/ Ski poles, ampicillin, and panty hose, all involving alleged patent violations.

C.I.F. Versus F.O.B. Values of Imports for Statistical and Customs Purposes

Much discussion has taken place over the years on the preferable method of valuing imports for duty collection purposes and for reporting statistics on imports. In the last few years, due in part to the publicity accorded the Kennedy Round and the decline in the U.S. favorable balance of payments, additional attention has been given to these topics. Superficially, they appear to be a single subject; however, they are entirely different, and not necessarily related, issues in the consideration of which totally different sets of criteria are involved.

Valuation of imports for statistical purposes. The decline in the favorable U.S. trade balance and the U.S. balance of payments in recent years has been chiefly responsible for a focus of attention on the values used for tabulating U.S. imports in official foreign trade statistics. Countries usually employ the same values for reporting statistics on their imports as are used for valuing their imports for duty purposes. The type of value a country uses for customs purposes almost invariably reflects a careful decision reached after substantial consideration of possible alternatives. The use of the same value for statistical reporting purposes, however, is done chiefly for practical administrative reasons, and does not represent a decision as to what would be considered preferable for analytical purposes if the compilation of the statistics were undertaken independent of customs valuation procedures.

The United States historically has used an f.o.b. (free-on-board) type value for assessing ad valorem duties on imports, and also for reporting the value of its imports in official statistics. Most other countries 1/ use a landed (c.i.f.--for cost, insurance and freight) value for both purposes. It has been alleged that the practice followed by the United States, which excludes ocean freight and insurance costs, understates the value of U.S. imports and consequently presents an erroneous picture of the U.S. trade balance.2/ It has also been implied that this "erroneous" presentation of the U.S. trade balance is carried over into the presentation of data on the U.S. balance of payments, with consequent distortion there.

1/ Notable exceptions are Canada, Australia, New Zealand, South Africa, and Venezuela plus some other small countries.

2/ Additional distortion of the true picture of the U.S. trade balance and the competitive position of the United States in world commerce is alleged to result from inclusion in export statistics of products shipped under government financed programs and articles the production of which has been assisted by government subsidies.

In January 1969, Representative J. Irving Whalley of Pennsylvania introduced House Joint Resolution 177 which would require that reports on imports into the United States include the landed value of articles imported.1/ The late Senator Everett Dirksen introduced an identical resolution (S.J. Resolution 115) in the Senate in October 1965 "to obtain more meaningful trade statistics for use in developing legislation and assessing our trade position." In speaking on his resolution at that time, Senator Dirksen said "the purpose is not to change the method by which we value imports for duty purposes, nor is the purpose to change the method by which we calculate our balance of payments." Despite this attempt to dispel the erroneous thought prevalent in some quarters that the resolution was related to the statistical treatment of the U.S. balance of payments, this confusion seemed to continue. Senator Dirksen's resolution was the subject of a public hearing before the Senate Finance Committee in the late summer of 1966, at which the Bureau of the Budget, the Departments of Agriculture, Commerce and State and the Special Representative for Trade Negotiations presented comments indicating unanimous opposition to passage of the resolution. These Departments and Agencies indicated that c.i.f. statistical data, if applied in an appropriate manner, could be useful for limited statistical purposes unrelated to balance-of-payments analysis, but the requirements for c.i.f. data could be served satisfactorily for most users through a statistical sampling and estimating procedure which would be far less burdensome upon government agencies charged with collecting and compiling the statistics and upon importers than would be the conditions required under the resolution.

At that time the Tariff Commission and the Bureaus of Customs and Census were cooperating in a study to develop estimated c.i.f. values for U.S. imports through a statistical sampling procedure. The Commission subsequently released a tabulation presenting the results of its work in which estimated freight and insurance charges as a percent of reported f.o.b. import values in 1965 were given for each of the major subdivisions of the TSUS (Schedule, Part, and Subpart). Concurrently the Bureau of Census released estimated c.i.f. values (based on 1966 import data) for 21 commodity groups covering all U.S. imports. Since then the Bureau of Census has regularly published quarterly estimates of the c.i.f. value of total imports, and has a program for annual estimates of c.i.f. values for the 21 commodity groups, the 10 sections of the SITC, and imports from major geographic areas of the world. (See attachment for the most recent Bureau of Census estimates of these c.i.f. values.)

There are three broad areas in which import statistics are used for analytical purposes: in balance-of-payments analysis, in balance-of-trade

1/ Section 2 of the resolution would require export statistics to indicate separately articles exported under government-financed programs and articles produced with the assistance of government subsidies.

analysis, and for commodity analysis for the impact of imports on the domestic economy. No single basis of valuation of imports is satisfactory for all analytical purposes for which import statistics are compiled. In balance-of-payments analysis, f.o.b. valuation is internationally recognized as correct and c.i.f. countries must pr .ently adjust their merchandise trade data to exclude the value of freight and insurance in preparing their annual balance-of-payments statements and their statistical submissions to the International Monetary Fund. It would be highly inaccurate to include all payments of ocean freight and insurance charges in the balance of payments, because a part of these services may be supplied by the importing country itself, and to that extent such payments do not represent an international financial transaction. Thus, the application of c.i.f. values to all U.S. merchandise imports would overstate the magnitude of foreign payments. Under present U.S. balance-of-payments procedures, merchandise transactions and ocean freight services are carried in separate accounts, with the latter item adjusted to exclude freight payments to domestic carriers. This procedure has the additional advantage of providing correct country allocations of merchandise and freight payments, respectively, recognizing that the country supplying the merchandise is often not the same country supplying the freight and insurance services.

In balance-of-trade analysis--the net balance between U.S. merchandise exports and imports--either c.i.f. or f.o.b. valuation can be used. C.i.f. valuation might be considered preferable for this purpose, because it values imports at the same point as that reflected for exports--the ports and borders of the United States. However, use of c.i.f. for balance-of-trade purposes involves the overvaluation of payments and misallocation by country cited in the balance-of-payments discussion above. In using f.o.b. values for imports, the United States values its imports and exports on exactly the same basis and there is complete comparability in merchandise trade. The balance-of-trade statistics are not designed to measure the balance in services, such as ocean freight and insurance or those included under tourism; they are designed simply to measure the balance of trade in merchandise between the United States and the rest of the world.

For commodity analysis of the impact of imports on the domestic economy, c.i.f. values might be considered preferable to f.o.b., but such values would be only a limited improvement over f.o.b. data as they would still understate the true price of an imported commodity in the internal U.S. market because such cost factors as importer's markup, inland U.S. freight, agent's commissions, and payment of U.S. tariffs would still be excluded.

Valuation of imports for customs purposes. During the Kennedy Round, public attention was focused anew upon the procedures used by the United States for valuing imports for the assessment of ad valorem rates of duty. Aside from the particular publicity received by unusual provisions in U.S. customs valuation, such as the American Selling Price, the general question was raised by some domestic interests as to the desirability and appropriateness of continued use by the United States of f.o.b. value as the general basis for customs valuation. The Kennedy Round argument over tariff disparities among countries undoubtedly stimulated public thought on this matter. It was alleged that in tariff negotiations generally, and particularly in negotiations dealing with harmonization of tariff levels, the United States, in using f.o.b. valuation, negotiated from a disadvantageous position with countries using c.i.f. values for application of their tariff rates. Underlying at least some suggestions that the United States should shift to a c.i.f. value was the thought that additional tariff protection would automatically be provided for U.S. industries.

Against this background and that of the discussion of valuation for statistical purposes, the Senate Finance Committee in February 1966 requested the Tariff Commission to conduct a comprehensive study with a view to making suggestions and recommendations for improvement of the customs valuation laws of the United States. The Commission was also asked to give its views as to the feasibility and desirability of adopting the Brussels definition of value (i.e., landed--c.i.f.--value). The Commission's report to the Senate Finance Committee has never been released to the public.

Under the f.o.b. valuation system, ad valorem rates of duty bear equally upon imports from all countries at all ports of entry. Under a c.i.f. system, the inclusion of ocean freight in the value of imports results in a higher assessment of duty on products from those countries the geographic location of which results in the payment of higher freight rates. A shift from the equality of treatment under the f.o.b. system to the differential treatment under a c.i.f. system would probably be accompanied by significant and substantial readjustments in the pattern of commerce of the United States.

Inasmuch as virtually all U.S. import duties are bound against increase under international agreements, a shift to a c.i.f. basis of valuation would necessitate a downward adjustment of all ad valorem rates of duty and, in addition, possible payment of compensation to countries which nevertheless would undergo discrimination regardless of the general downward adjustment of the rates of duty.

It has been pointed out that the use by the United States of f.o.b. values in customs valuation and statistical reporting has not been considered by officials directly dealing with the matter as in any manner disadvantageous in trade negotiations, and that in all negotiations, when comparing trade data or tariff levels, appropriate adjustments have been made to compensate for differences in valuation practices among countries.

CURRENT ESTIMATES OF C.I.F. VALUES FOR U.S. GENERAL IMPORTS 1/

This issue of FT 990 updates estimates of c.i.f. values for U.S. general imports, based on a sample study of 1967 import shipments. Values for the sample items in the 12-month 1967 study were found to be 6.9% higher than the values for the same items as reflected in Census import statistics. The addition of 6.9% to published Census data results in the estimates given below. It should be noted that the 1968 calendar year totals reflect revisions made in the data subsequent to the publication of the December 1968 reports. The 1969 calendar year totals reflect all corrections published with statistics through those for December 1969.

NOTE: These estimates provide U.S. import data on a value basis comparable with the import data of most foreign countries. Readers interested in calculating the U.S. trade balance should be aware that this balance can properly be derived only by relating exports and imports valued on the same basis. Trade balance figures, calculated on a comparable basis, are published in "Trends in U.S. Foreign Trade," released monthly by the Department's Bureau of International Commerce.

CURRENT ESTIMATES OF C.I.F. VALUES COMPARED WITH PUBLISHED VALUES FOR U.S. GENERAL IMPORTS: CALENDAR YEARS 1967, 1968 AND 1969

(In millions of dollars)

Period	Value as published in U.S. import statistics[1]	Estimated c.i.f. values[2]
Calendar year 1967.....	26,812.3	28,662.3
Calendar year 1968.....	33,226.3	35,518.9
Calendar year 1969.....	36,051.8	38,539.4

[1]Defined as the value required by law for Customs purposes, which in most instances is the value of the commodities at the principal markets in the exporting country.

[2]Defined as the cost (to the U.S. importer) of the commodities at the foreign port of exportation, plus insurance and freight to the U.S. port of entry, regardless of whether earned by a U.S. or a foreign firm.

1/ U.S. Department of Commerce. FT 990/December 1969 Highlights of U.S. Export and Import Trade. P. III

Report on Study of Estimated C.I.F. Values for U.S. General Imports 2/

In the September 1967 issue of report FT 990, estimated values for U.S. imports on a cost, insurance, and freight (c.i.f.) basis were shown, based on the results of a study of c.i.f. port of entry values for 1966. A joint Bureau of Customs - Bureau of Census study for the year 1967 has now been completed. The results indicate that the value of U.S. general imports on a c.i.f. basis is about 6.9% higher than the total value reported for the year in U.S. import statistics. A further breakdown on the results of the study is presented in the tables below in terms of broad commodity and geographic groupings.

As indicated in previous releases, this study was made because users of U.S. foreign trade statistics expressed interest in obtaining U.S. import data on a c.i.f. basis. Scientific probability sampling techniques were employed in the study. C.i.f. values were determined for the sample shipments, using data obtained from Customs records, brokers, importers, and carriers. For some shipments it was necessary to estimate the freight and insurance charges.

For purposes of the study, c.i.f. was defined as the cost (to the U.S. importer) of the commodities at the foreign port of exportation, plus insurance and freight to the U.S. port of entry. The value figures published in the regular import statistics reflect the value required by law for Customs purposes, which in most instances is the value of the commodities at the principal markets in the exporting country. (See 19 U.S.C. 1401 and 1401a for a more definitive explanation of the valuations required by law for Customs purposes, such as the export value, cost of production, constructed value, American selling price, etc.)

The Customs valuation reflected in the published import statistics for individual commodities or geographic areas may differ from the actual prices paid by the U.S. importers for the specific shipments, even after freight, insurance, and other charges are taken into account. For some transactions, the c.i.f. value as defined above may actually be lower than the Customs valuation reflected in the import statistics. It follows, therefore, that the difference between the estimated c.i.f. values and published values should not be construed as a measure of the freight and insurance charges involved in the transactions.

Users are cautioned about the applicability of estimated 1967 c.i.f. ratios to periods other than calendar year 1967, particularly for the more detailed categories of data. Over rather short periods of time, the ratios may be seriously affected by economic developments such as changes in product-mix, transportation patterns, and freight rates.

1/ U.S. Department of Commerce. FT 990/March 1969 Highlights of U.S. Export and Import Trade. PP. III-VI.

SPECIAL ANNOUNCEMENTS--Continued

Table A. COMPARISON OF ESTIMATED C.I.F. VALUES WITH PUBLISHED U.S. GENERAL IMPORT VALUES FOR SCHEDULE A SECTIONS: CALENDAR YEAR 1967

Schedule A section	Value in published statistics (mil. dol.)	Estimated c.i.f. value (mil. dol.)	Estimated ratio of c.i.f. to published value	Estimated sampling variability of ratio[1]
Total	26,812.3	28,662.3	1.069	.001
0. Food and live animals	4,003.1	4,307.3	1.076	.002
1. Beverages and tobacco	698.1	737.9	1.057	.009
2. Crude materials, inedible, except fuels	2,964.3	3,391.2	1.144	.007
3. Mineral fuels, lubricants, and related materials	2,248.0	2,452.6	1.091	.007
4. Animal and vegetable oils and fats	122.1	130.3	1.067	.006
5. Chemicals	937.9	955.7	1.029	.014
6. Manufactured goods classified chiefly by material	6,384.2	6,811.9	1.067	.004
7. Machinery and transport equipment	5,793.5	5,996.3	1.035	.004
8. Miscellaneous manufactured articles, n.e.s.	2,576.2	2,741.1	1.064	.002
9. Commodities and transactions not classified according to kind	1,064.9	1,105.4	1.038	.009

[1]The chances are about 2 out of 3 that each estimated ratio differs from that which would have been obtained from a survey of all transactions by an amount less than the estimated sampling variability indicated.

SPECIAL ANNOUNCEMENTS--Continued

Table 8. COMPARISON OF ESTIMATED C.I.F. VALUES WITH PUBLISHED U.S. GENERAL IMPORT VALUES FOR 21 TSUSA COMMODITY GROUPINGS: CALENDAR YEAR 1967

Abbreviated commodity description and range of TSUSA commodity numbers	Value in published statistics (mil. dol.)	Estimated c.i.f. value (mil. dol.)	Estimated ratio of c.i.f. to published value	Estimated sampling variability of ratio[1]
Total	26,812.3	28,662.3	1.069	.001
1. Live animals, meats, fish and shellfish, dairy products, eggs, hides, skins, and leather: 100.0110-124.8000	1,550.6	1,651.4	1.065	.005
2. Live plants, seeds, cereal grains, milled grain products, malts, starches, vegetables, edible nuts and fruits, sugar, cocoa, and confectionery: 125.0100-157.1040	1,439.2	1,583.1	1.100	.010
3. Coffee, tea, maté, spices, beverages, tobacco, and tobacco products: 160.1020-170.8000	1,802.2	1,899.5	1.054	.004
4. Animal and vegetable oils, fats and greases, and misc. other animal and vegetable products: 175.0300-193.2500	454.4	506.2	1.114	.010
5. Wood and wood products: 200.0300-245.9060	738.2	886.6	1.201	.019
6. Paper, paper products, and printed matter: 250.0203-274.9000	1,449.9	1,497.7	1.033	.004
7. Textile fibers and fabrics: 300.1020-359.6000	990.1	1,068.3	1.079	.004
8. Textile furnishings, wearing apparel and accessories, and miscellaneous textile products: 360.0500-390.6000	667.8	717.2	1.074	.005
9. Chemicals and chemical compounds and mixtures: 401.0200-432.0000	408.4	403.9	.989	.017
10. Drugs, synthetic resins, plastics, rubber, essential oils, cosmetics, soaps, synthetic detergents, inks, paints, etc.: 433.0500-474.6200	467.1	502.1	1.075	.003
11. Petroleum, petroleum products, natural gas, fertilizers, explosives, fatty substances, camphor, carbons, isotopes, waxes, etc.: 475.0510-495.2000	2,471.5	2,703.8	1.094	.004
12. Nonmetallic minerals and products, except ceramic products, glass and glass products: 511.1100-523.9400	720.0	771.8	1.072	.016
13. Ceramic products, glass, and glass products: 531.0100-548.0500	262.7	298.2	1.135	.006
14. Metal-bearing ores and other metal-bearing materials: 601.0300-603.7000	862.6	1,015.3	1.177	.015
15. Metals, their alloys, their basic shapes and forms, and metal products: 605.0210-658.1000	3,320.3	3,576.0	1.077	.005
16. Electrical and mechanical machinery and equipment: 660.1000-688.4100	3,022.2	3,134.0	1.037	.001
17. Transportation equipment: 690.0500-696.6000	2,787.2	2,879.2	1.033	.005
18. Footwear, headwear, gloves, luggage, handbags, scientific and professional instruments, timing devices, photographic equipment, etc.: 700.0500-724.5000	923.2	968.7	1.047	.003
19. Musical instruments, furniture, arms and ammunition; sporting goods, toys, jewelry, fastening devices, ornaments, brooms, pyrotechnics, pens, pencils, etc.: 725.0200-760.6500	719.6	775.7	1.078	.005
20. Works of art, antiques, rubber and plastic products, and miscellaneous other products: 765.0500-799.0000	390.9	409.3	1.047	.007
21. Articles, subject to special classification provisions, temporary legislation, etc.: 800.0020-999.2000	1,077.5	1,117.4	1.037	.004
Shipments valued under $251 (estimated)[2]	284.3	303.9	1.069	-

[1] The chances are about 2 out of 3 that each estimated ratio differs from that which would have been obtained from a survey of all transactions by an amount less than the estimated sampling variability indicated.

[2] These low valued shipments were not included in the c.i.f. sample study, but are presented in this table solely for the purpose of arriving at overall totals. In estimating the c.i.f. value for these shipments the overall ratio (1.069) for shipments valued over $250 was used.

SPECIAL ANNOUNCEMENTS--Continued

TABLE C. COMPARISON OF ESTIMATED C.I.F. VALUES WITH PUBLISHED U.S. GENERAL IMPORT VALUES FOR WORLD AREAS: CALENDAR YEAR 1967

World Area	Value in published statistics (mil. dol.)	Estimated c.i.f. value (mil. dol.)	Estimated ratio of c.i.f. to published value	Estimated sampling variability of ratio[1]
Total	26,812.3	28,662.3	1.069	.001
Western Hemisphere	11,741.2	12,480.9	1.063	.002
Canada	7,106.6	7,440.6	1.047	.003
20 Latin American Republics	3,851.0	4,174.5	1.084	.005
Central American Common Market	299.6	329.0	1.098	.017
Latin American Free Trade Association	3,320.5	3,592.8	1.082	.005
Other Latin American Republics	230.9	251.2	1.088	.028
Other Western Hemisphere	783.6	865.1	1.104	.011
Western Europe	8,050.3	8,549.4	1.062	.003
Organization for Economic Cooperation and Development	7,866.7	8,346.6	1.061	.004
European Economic Community	4,453.2	4,747.1	1.066	.004
European Free Trade Association	2,881.4	3,037.0	1.054	.005
United Kingdom	1,709.8	1,803.8	1.055	.007
Other EFTA Countries	1,171.5	1,233.6	1.053	.006
Other OECD Countries	532.1	561.4	1.055	.010
Other Western Europe	183.5	207.9	1.133	.020
Communist Areas in Europe	177.2	184.1	1.039	.050
Asia	5,347.9	5,829.2	1.090	.004
Japan	2,998.7	3,256.6	1.086	.004
Other Asia	2,349.2	2,574.7	1.096	.005
Near East Asia	293.1	322.4	1.100	.027
South Asia	387.6	426.4	1.100	.009
Asia, n.e.c., including Communist Areas	1,668.5	1,827.0	1.095	.006
Australia and Oceania	581.5	633.3	1.089	.004
Africa	906.1	963.1	1.063	.008
Republic of South Africa	225.9	241.0	1.067	.018
Other Africa	680.2	722.1	1.061	.009
Unidentified Countries[2]	8.0	8.6	1.069	-

[1]The chances are about 2 out of 3 that each estimated ratio differs from that which would have been obtained from a survey of all transactions by an amount less than the estimated sampling variability indicated.

[2]These shipments were not included in the c.i.f. sample study, but are presented in this table solely for the purpose of arriving at overall totals. In estimating the c.i.f. value for these shipments the overall ratio (1.069) for shipments valued over $250 was used.

The Chicken War

The major market for U.S. poultry in the Community was (and still is) Germany The bound German import duty on poultry, initially negotiated with Denmark, was 15 percent c.i.f. ad valorem (average equivalent of about 4.5 cents a pound). Quantitative import restrictions were maintained on U.S. broilers entering Germany until April 1961, although such restrictions were removed on Danish and Netherlands broilers several years earlier. U.S. poultry exports to Germany rose sharply following the liberalization of this trade.

The introduction of the Community's Common Agricultural Policy for poultry in July 1962 included a variable levy system which brought Community protection for poultry far above the previously bound German rate. Total levies on broilers imported into Germany rose to 13.5 cents a pound by the middle of 1963, compared with 4.5 cents a pound the year before.

U.S. exports to Germany dropped from an annual rate of $45 million in 1962 (based on exports for the six months prior to the institution of the levy) to $13 million in 1963. The United States had sought, even before the CAP was introduced, to achieve some modification of the system, without success. Countless efforts were made by the United States to obtain some relief from the protective system. Negotiations were conducted with the EEC in Geneva in June-July of 1963, but the EEC negotiators were given no authority by the EEC Council of Ministers to act on the U.S. proposals.

In response to this impasse, the United States indicated its intention to withdraw equivalent concessions initially negotiated with the EEC. The United States valuation on the poultry trade affected was $46 million; the Community valuation was $19 million. Both parties submitted the question of valuation to a GATT panel. The panel determined the value of the unbindings at $26 million; both parties accepted this opinion.

By Proclamation issued December 4, 1963, the U.S. tariff rates on several products principally supplied by the EEC were increased, effective January 7, 1964, from the reduced, trade agreement rates to the full statutory rates. The products and rate changes were: trucks valued over $1,000 (8½% to 25%); brandy valued over $9 per gallon ($1,00 per gallon in containers over 1 gallon and $1.25 per gallon in containers of one gallon or less to $5.00 per gallon for both); potato starch (1¢ to 2½¢ per pound); and dextrine (1.125¢ per pound to 3¢ per pound). The increases bore heaviest on Germany, (Volkswagen trucks), with less damage to France (cognac) and the Netherlands (potato starch and dextrine). In announcing the retaliatory action, the United States stressed that the concession rates were suspended, not withdrawn, and could be restored if a satisfactory settlement on poultry could be obtained.

With the imposition of variable levies on poultry in July 1962, U.S. exports of dead poultry and parts to the EEC dropped sharply from $49 million in 1962 to $26 million the following year. Since then U.S. poultry exports have gradually fallen and in 1969 were only $9.6 million. The trade effect of the 1964 U.S. retaliation was most severe on Volkswagen trucks. U.S. imports of trucks from West Germany fell from $15 million in 1963 to $5.7 million in 1964 and have since remained at the $2-3 million level. Imports of potato starch fell from $1.1 million in 1963 to $338,000 in 1964 and have since fallen further to the $100,000 level. Imports of dextrine, however, fell only slightly from $2.3 million in 1963 but have since risen to the $2.5 million level, whereas imports of brandy were not affected but instead rose slightly to $2.4 million in 1968.

INVENTORY OF INDUSTRIAL NONTARIFF BARRIERS

Selected Countries

Argentina
Australia
Austria
Barbados
Belgium-Luxembourg
Brazil
Burma
Burundi
Cameroon
Canada
Central African Republic
Ceylon
Chad
Chile
Congo (Brazzaville)
Cyprus
Dahomey
Denmark
Dominican Republic
Finland
France
Gabon
Germany, Fed. Rep. of

Ghana
Greece
Guyana
Haiti
Iceland
India
Indonesia
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Kenya, Tanzania & Uganda
Korea
Kuwait
Malagasy Republic
Malawi
Malaysia
Malta
Mauritania
Netherlands
New Zealand

Nicaragua
Niger
Nigeria
Norway
Pakistan
Peru
Poland
Portugal
Senegal
Sierra Leone
Southern Rhodesia
Spain
Sweden
Switzerland
Togo
Trinidad and Tobago
Tunisia
Turkey
United Arab Republic
United Kingdom
Upper Volta
Uruguay
Yugoslavia

INVENTORY OF NON-TARIFF BARRIERS AFFECTING UNITED STATES TRADE IN INDUSTRIAL PRODUCTS

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Automotive products	Embargo	
Tractors, wheeled, of from 12 to 120 horsepower and tractors, crawler, from 12 to 85 horsepower	Embargo	
Valuation and Taxes		
Nearly all imports except raw materials and capital goods	Prior deposit of 40% c.i.f.	Held without interest for 180 days.
Tractors of any horsepower	Differential tax for imports	Imported products do not enjoy the investment tax credit of up to 60% of total liability granted on purchases of domestically produced tractors.
All products	Statistical tax of 1.5% levied on c.i.f. value of imports only	If the good is exempted from import duty the statistical tax charge is 0.3% c.i.f.
All products	Surcharge of 4% on ocean freight charges	

Product	Type of Restriction	Remarks
Valuation and Taxes (cont'd.)		
All products	(a) Consular fee of 1.5% levied on f.o.b. value of imports (b) Payment regulation	(a) As the value of the shipment increases, the amount charged is out of line with service performed. (b) Fee must be paid by the exporter to the consulate within whose jurisdiction the commercial invoices to be notarized are issued.
Products made of iron and steel	Special steel fund tax of 2.00 to 20.00 pesos per net kilo	
Forest products	Special tax of 4% to 10% of c.i.f. value	
Various, depending on official designation	Minimum official valuation on which import duty levied	The Executive has the authority to establish minimum values.
Various products	Sales tax of 10-20% levied on c.i.f. duty-paid value	
Various products	Excise tax, levied on c.i.f. duty-paid value	Tax is specific on some products and ad valorem on others.

Product	Type of Restriction	Remarks
Valuation and Taxes (cont'd.)		
All products	Consular formalities	Custom regulations stipulate that commercial invoices in quaduplicate covering U.S. exports to Argentina must be legalized by the Argentine Consulate nearest the point of origin of the goods. However, in practice legalization may . :ur in consular area in which invoice prepared.
Health, Sanitary and Safety Restrictions		
Pharmaceuticals, cosmetics	Subject to prior registration in Argentina	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Unwrought aluminum and aluminum waste and scrap; certain knitted coats, jumpers, cardigans, sweaters and the like; second-hand or disposals machinery or equipment and parts for earthmoving or construction purposes, and second-hand four-wheel drive vehicles (excluding public service type)	Licensing	Licenses issued on ad hoc basis.
Valuation and Taxes		
Wide range of industrial and consumer items	Sales tax levied on landed value: Household goods 2½% General 15% Luxury 25%	Essential goods are exempt. The tax base for imported goods is their duty-paid value inflated by 20%.
Other Restrictions		
Motion picture films	Screen-time quota	Quota is applied in New South Wales which represents approximately half the theater seating capacity of Australia, requiring by law that 15% of all films shown be British and 2% be Australian.
All packaged products	Arbitrary weights and measure limitations	A standard uniform system will be introduced in November 1970.

Product	Type of Restriction	Remarks
Government Aids *		
Cellulose acetate flake, sulphuric acid, phosphate fertilizers, pyrites, sulphate of ammonia, urea, tractors, and many chemicals	Subsidy	Australia has not subscribed to GATT Declaration banning export subsidies.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Lignite, except bituminous coal	Licensing	
Penicillin, thyrothrium (in bulk and individually packaged)	Quotas	
Antibiotics and medicaments containing antibiotics (in bulk and individually packaged)	Quotas	
Cinematographic film, exposed and developed; except film for toy projectors	Licensing	
Wine, except sparkling wines in bottles	Quotas	
Fish, plastic bags, detergents, shirts (not knitted), lumber, artificial sweeteners, toilet soap and batteries	Licensing	
Valuation and Taxes		
All imports	Border taxes ranging from 6.25 to 13.0%	

Product	Type of Restriction	Remarks
Variable Levies		
Casein, caseinate and derivatives; Albumin, albuminate and derivatives; Dextrine and dextrin glue; Soluble or roasted starch; Gums made from strach; Preparations for the textile, paper and leather industries, or for similar industries, containing starch or starch derivates	Levies on imports of sugar, starch, and of products made of these and other agricultural raw materials: In lieu of customs duties, skimming charges may be collected. They consist of a fixed protective element plus a variable levy. Levies currently in force:	Skimming charges are based on price differentials between threshold and gate prices. They consist of a fixed protective element, i.e. 20% ad valorem, plus a variable amount depending on the content of protected material in the imported product.
Core binders used in foundry work on basis of starch and dextrine	Import levy of 20% a.v. plus AS 549.00 per 100 kgs.	
Starch-ether soluble in water, and starch esters	Import levy of 20% a.b. plus AS 525.00 per 100 kgs.	

Product	Type of Restriction	Remarks
Government Procurement		
All products and services	ONORM Article 1/34, regulating government purchasing, provides "If circumstances permit, only Austrian products shall be used and Austrian firms shall be engaged."	No uniform rules for procurement procedures and no central purchasing authority. Regulations do not apply to nationalized industries, EFTA members have equal opportunity with domestic firms under Article 14 of the Stockholm Convention. A draft law covering government procurement which eliminates discrimination against foreign firms has been submitted to parliament. Enactment is likely.
Other Restrictions		
All imports	Antidumping procedures	Government authorized to establish "guiding" or "minimum" prices for products which cause market disruptions. Both prices are calculated on Austrian export prices and production costs. At present, minimum prices are in force for: cotton yarn, cotton fabrics, woolen fabrics, cardigans and pullovers made of wool.
Salt and products containing salt	State Monopoly	Although imports of salt and products containing salt are formally liberalized, imports must be approved by the Administration of the Austrian Salt Monopoly (Finance Ministry).

Product	Type of Restriction	Remarks
Other Restrictions Cont'd.)		
Tobacco products	State Monopoly	The monopoly has the sole right to import, produce and sell raw and processed tobacco and tobacco products of any kind.
Industrially-produced raw spirits	State Monopoly	These spirits must be sold to the "Verwertungsstelle" of the monopoly which has them refined at commercial refineries. The refined product is then sold to authorized users at government-controlled prices.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Fish, plastic bags, detergents, some pharmaceuticals, shirts (not knitted), lumber, artificial sweeteners, toilet soap and batteries.	Licensing	
Valuation and Taxes		
Automobiles	Initial registration tax of 20% levied on c.i.f. value	
Rum, beer, gasoline and diesel fuel	Excise taxes, levied on c.i.f. duty-paid value	
Clothing, not knitted	Minimum c.i.f. value for Customs purpose	
All imports (except those in the following list)	Surtax of 20% of the c.i.f. duty-paid value	
Polishes, grease, hardware, implements and tools (except agricultural), lubricating oil, cosmetics and perfume, photographic appliances and accessories (except films), typewriters and parts thereof, turpentine, wood headings, wood furniture, motor spirit for use in road vehicles, tobacco, snuff, beer and alcoholic beverages, motor vehicles and parts thereof.	Surtax of 10% of the c.i.f. duty-paid value	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Anthracite	Quota, imports are licensed	
Penicillin, its salts and compounds, and products thereof; lignite; coke; semicoke; petroleum and products; certain chemicals; basketwork; a number of textile fibers, yarns and fabrics; women's synthetic hose; jute sacks; natural and synthetic precious stones and dust; wire, rod, tube, pipe, and hollow bars of gold; zinc plate, sheet and strip; mineral or chemical fertilizers, nitrogenous excluding natural sodium nitrate; X-ray apparatus; firearms, other arms and parts; ammunition and military ordnance (BLEU)	Licensing	Licenses freely granted for U.S. goods.
Coking coal	Quota, imports are licensed	Changes may be forthcoming in the quota system because of short supplies. Consideration being given to permitting long term contracts.
Valuation and Taxes		
All imported goods	Transmission tax or lump-sum tax, generally 7% but may vary on certain commodities from 1% to 15%.	Transmissions tax scheduled to be replaced by value-added tax on 1-1-71.

Product	Type of Restriction	Remarks
Valuation and Taxes (cont'd)		
Automobiles	Road tax based on fiscal horsepower	More burdensome on high horsepower automobiles.
Government Procurement		
All products and services (Belgium)	Foreign bids may be rejected if "for economic reasons it is essential that the contract should go to Belgian industry, subject however to the price differential not exceeding certain limits."	Price differential reported to be 10% normally. Benelux agreement provide for no procurement discrimination between the three countries. Bids of foreign firms, or those incorporating foreign materials or employees must be reviewed by a "Consultative Committee". Committee opinion is advisory only and may be ignored by Ministry soliciting bids.
All products and services (Luxembourg)	Article 19 of Decree of 12/29/56 stipulates that "in principle, products of foreign origin shall not be used if producers in Benelux Customs Union are able to supply the same quality at prices which are substantially the same."	Products of Benelux origin believed given 10% margin of preference. The license to trade, which foreign bidders must have, is issued only to nationals of countries having reciprocal arrangements.

1/ The foreign trade of Belgium is combined with that of Luxembourg within the framework of the Belgium-Luxembourg Economic Union. Yet, while the 2 countries have a common system of for ign trade controls, they also maintain separate regulations which are applied only domestically. Items applicable to both countries are marked herein with the symbol, BLEU.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Caustic soda	Licensing	Licenses are based on proof of purchase of a like amount of domestic caustic soda.
Certain automobiles and motorboats	Embargo	Importation of automobiles and motorboats priced in the country of origin at above $3,500 including accessories not authorized.
Petroleum products	Prior authorization	This measure assures full utilization of domestic production and LAFTA sources of supply before third country imports are allowed.
Valuation and Taxes		
All products	Port improvement tax of 1% levied on c.i.f. value of imports	
" "	Merchant Marine improvement tax of 10% of freight charges	
Wide variety of processed or manufactured goods	Industrialized products tax of 4% to 30% levied on c.i.f. duty-paid value	

Product	Type of Restriction	Remarks
Valuation and Taxes (cont'd.)		
Many products	Minimum valuation system	"Minimum values" are established if the "normal price" is difficult to verify, if international price quotations fluctuate in the market of the exporting country, or if dumping or similar practices are considered to be a hazard.
Government Procurement		
All goods purchased for public account	Government procurement practices	Public entities are obliged give preference to locally-manufactured goods and cannot import "non-essential" goods. Goods generally not allowed on credit terms if such goods can be supplied within certain limits of price, quality, delivery date by Brazilian sources.
Packaged lubricating oil, petroleum and rubber	State trading monopoly	
Other Restrictions		
Motion picture films	Screen-time quota	Exhibitors must show one Brazilian feature for eight non-Brazilian films.

BURMA

Product	Type of Restriction	Remarks
Government Procurement		
All products purchased for the public account	Government procurement practices	Government purchasing agencies often issue tender notices with advance bid deadlines of 30 days or less, making it difficult, if not impossible, to transmit specifications to foreign firms in time to submit bids ahead of the deadline.
All imports	State trading	Government is the sole importer.
Valuation and Taxes		
All imports	Sales tax	Luxury goods are taxed 18.75%, standard goods 12.5% and privileged goods 6.25%

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Licensing	
Valuation and Taxes		
All imports	Statistical tax of 3%	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Licensing	For licensing purposes all trade is classified into three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas are established); all other countries (more restrictive "global import" quotas are established). Licenses are not ordinarily issued for commodities available from Franc Zone.
All imports	Exchange quotas	To be eligible for foreign exchange, commercial enterprises must: (1) be inscribed in Trade Register and have valid import license; (2) must possess in Cameroon a regular, permanent trading establishment; (3) have had during preceding year a turnover of imports of at least 5 million francs (approx. $60,000).
Valuation and Taxes		
All imports	Revenue tax up to 50%	
All dutiable imports	Turnover tax of 10% levied on c.i.f. duty-paid value	Discriminatory in that certain countries are exempt from customs duties.
Many products	Additional tax of 5% to 35% levied on imports	
Used clothing	Minimum valuation	

Product	Type of Restriction	Remarks
Government Procurement		
Products purchased for public account	Government procurement practices	
Other Restrictions		
Various products	Bilateral trade agreements	Trade agreements generally provide licensing guarantees to specified amounts of goods.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Aircraft - Used	Embargo	Prohibited, with some exceptions.
Automobiles - Used	Embargo	Vehicles of all kinds manufactured prior to calendar year in which importation is made are, with some exceptions, prohibited.
Valuation and Taxes		
Gasoline-type fuels for use in internal combustion engines other than aircraft	Arbitrary valuation and surtax	Surtax is equal to the difference between export price and an arbitrary value of 10.5¢ for regular and 12.5¢ for premium per imperial gallon.
Health, Sanitary and Safety Restrictions		
Electrical equipment	Safety regulations	Each Province of Canada requires a certificate of approval issued by the Canadian Standards Association or Provincial Inspection Authorities.
Other Restrictions		
Alcoholic beverages	Monopoly operated by Canadian Provinces	Canadian provinces reluctant to carry U.S. liquor brands in Government operated monopoly stores.
Canned foods	Imports are permitted only if in cans of sizes established by the Canadian Government	

CENTRAL AFRICAN REPUBLIC

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Licensing and exchange quotas	For licensing purposes all trade is classified in three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas are established); all other countries (more restrictive "global import" quotas are established).
Used clothing	Quota	
Used shirts	Embargo	
Valuation and Taxes		
All imports	Revenue tax up to 30%	
All dutiable imports	Turnover tax of 10% levied on c.i.f. duty-paid value	Discrimination in that certain countries are exempt from customs duties.
Textiles, men's and used clothing radios, autos, trucks, eyeglasses	Additional tax of 5% to 15% levied on imports	
Used clothing	Arbitrary valuation	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Sunglasses, spectacle frames, cigarette lighters and flints, perfumery and soap, toilet sets, bangles and beads, wallpaper, waste paper and old paper, floor tiles, domestic ware, ballpoint pens, plastic sheets with floral designs, floor coverings, chilled or frozen fruits and vegetables, numerous metal hardware items, mild steel flats and galvanized corrugated and flat steel sheets of certain sizes, arc welding transformers, tape recorders, washing machines, vacuum cleaners and floor polishers, bicycle parts, electric lamps, photographic and cinematographic apparatus, watches and clocks, footwear, and numerous other miscellaneous manufactured articles.	Embargo	
Import Schedule 1: Drugs, feed additives, agricultural hand tools and implements, fertilizers, petroleum products (including lubricants), surgical belts and hearing aids, artificial dentures, artificial eyes and limbs, scientific glassware	Licensing and quota restrictions	These items are licensed under quotas at the official rate of exchange of Ceylon rupees (Rs.) 5.95 to the dollar.

Product	Type of Restriction	Remarks
Quantitative Restrictions (Cont'd.)		
Import Schedule 2: Household Insecticides and disinfectants etc., alcoholic beverages, agro-chemicals, miscellaneous chemical products, paper and paperboard, textile fabrics, cotton thread, leather, fabricated rubber materials, sports footwear, insulated electric wire, batteries, musical instruments, parts of electric appliances and radios, sanitary and plumbing fixtures, household glassware, metal fasteners (nails, screws, bolts, nuts, washers, rivets, etc.), engineering stores, certain machinery parts, printing materials, laminated plastic sheets, various other items.	Licensing and quota restrictions	These items are licensed under quotas and are imported at a depreciated exchange rate. Some 350 other items (Schedule 3) mostly industrial raw materials, machinery, and components and chemicals, are on Open General License (no license required) but are also imported at the depreciated exchange rate.
All imports except those in Import Schedule 1	Multiple exchange rate practices through a certificate scheme	Importers of these items must surrender Foreign Exchange Entitlement Certificates (FEECs) of a face value equal to the amount of foreign exchange applied for. Some FEECs are earned by exporters of non-traditional items, who may use them for imports or sell them in the open market. Most FEECs originate, however, from sales to importers by commercial banks at the rate of Rs. 55 for a Rs. 100 certificate. This increases the importer's cost by 55%, or it produces an effective exchange rate of Rs. 9.23 to the dollar.

Product	Type of Restriction	Remarks
Other Restrictions		
Drugs and pharmaceutical preparations	Discriminatory regulation	Products must conform to British Pharmacopoeia, International Pharmacopoeia, or the British Pharmaceutical Code.
Fish, cement, textiles, newsprint, paper and paperboard, petroleum products, and caustic soda and certain other products	State trading monopoly	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Licensing and exchange quotas	For licensing purposes all trade is classified into three categories: The Franc Zone (free of restrictions); Common Market countries (separate import quotas established); all other countries (more restrictive "global import" quotas are established).
Valuation and Taxes		
All imports	Revenue tax up to 50%	
All dutiable imports	Turnover tax of 10% levied on c.i.f. duty-paid value	Discriminatory in that certain countries are exempt from customs duties.
Selected items	Additional tax of 5% to 45% on imports	
Used clothing	Arbitrary valuation	

CHILE

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Registry and licensing system	Importers required to register (license) all imports with the Central Bank through authorized commercial bank. Central Bank maintains strict control over license application and authorization of imports.
Some imports	Prior deposit of 15% to 50% of c.i.f. value	Advance deposit of varying rates required depending on the essentiality of the product. The deposit is returned after goods have cleared the customs authorities, and may be used toward payment of customs duties. This requirement is being phased out.
Few imports, including office machinery and public service vehicles	Prior deposit of 10,000% of c.i.f. value	
Luxury goods, such as automobiles, electronic products, and similar consumer goods.	Embargo	
Numerous products	Special ad hoc quotas for government procurement and certain preferred activities	Numerous special quotas are established from time to time for official government purchases, import monopolies or government-favored activities.

Product	Type of Restriction	Remarks
Valuation and Taxes		
Wide variety of processed or manufactured goods	Turnover tax of 8% on c.i.f. duty-paid value	
All imports	Port improvement tax of 2% of c.i.f. value	
All imports	Merchant Marine Improvement Tax of 10% of freight charges	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Most imports	Licensing and exchange quotas	For licensing purposes all trade is classified into three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas established); all other countries (global import quotas established).
Valuation and Taxes		
All imports	Import revenue tax of up to 50%	
All dutiable imports	Turnover tax of 10% on c.i.f. duty-paid value	Discriminatory in that certain countries are exempt from customs duties.
Selected items	Additional tax of 5% to 15% levied on imports	
Used clothing	Arbitrary valuation	
Other Restrictions		
Certain imports	State trading	Office National du Commerce is sole buyer and seller of all merchandise destined for "northern regions" of Congo-Brazzaville.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Certain chemicals and chemical products, textiles and textile products, manufactures of base metals, wood products, and most non-electrical machinery.	Import Licensing	Licenses are generally granted freely. Other items are imported without any restrictions from any country other than the communist countries of Asia, Albania, and those with which Cyprus has bilateral agreements.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Licensing	Licenses required for all imports originating outside the Franc Zone.
All imports	Import quota system	Annual global import quota established for all goods not originating in EEC or from Franc Zone.
Matches, alcohol, alcoholic beverages, diamonds	Embargo	
Valuation and Taxes		
All imports	Discriminatory tariff	Three column tariff provides for 3 categories of countries, each assigned duties at a different rate.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Oysters (except spat); ethyl alcohol or neutral spirits, undenatured, of a strength of eighty degrees or higher, denatured spirits of any strength; ethyl alcohol, undenatured, of a strength under eighty degrees	Licensing	
Valuation and Taxes		
Nearly all manufactured goods	Value-Added Tax of 12½% levied on c.i.f. duty-paid value	
Automobiles and motorcycles	Excise tax	An excise tax is levied on the c.i.f. value in addition to TVA.
Government Procurement		
All products	Administrative practices	Discrimination favoring domestic procurement is accomplished by administrative action. EFTA members have equal opportunity with domestic firms under Article 14 of the Stockholm Convention.
Health, Sanitary and Safety Restrictions		
Electrical equipment	Rigid technical standards	The state testing organizations for electrical equipment in Denmark, Finland, Norway and Sweden each apply separate standards for electrical equipment and require individual testing in the country prior to certifying imports.

DOMINICAN REPUBLIC

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Exchange control	Certain products subject to exchange quotas.
Passenger cars valued at over $2,000	Embargo	
Wide range of food items and household goods, and smaller number of manufactured goods	Embargo	
Wide range of products	Importable only under prepaid letter of credit	
Wide range of products	Prior import deposit of 10%, 20% or 40% of f.o.b. value for 3 months' period	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Mineral tar, coal tar distillation products; solvent gasoline; aviation gasoline; bitumen; unwrought silver; gold and platinum	Global quotas	
Coal; coke; petroleum and shale oils, crude and refined; gasoline; aviation and heating kerosene; gas-oil and fuel oils, processed foods	Individual import licensing	
Valuation and Taxes		
Nearly all manufactured goods	Turnover tax - 12.4%	
Automobiles and motorcycles	Excise tax - 140% of c.i.f. duty-paid value minus Fmk 2,500 ($595). 12.4% turnover tax applied also.	Higher tax incidence on higher-priced cars.
Alcoholic beverages; confectionery, sugar, matches; automobile tires; tobacco products; mineral waters; liquid fuels, and certain fats and foods	Excise tax levied on c.i.f. duty-paid value of imports	

Product	Type of Restriction	Remarks
Other Restrictions		
Alcoholic beverages, crude petroleum and grains	State trading	
Passenger cars	Credit restrictions	For imported cars from certain bilateral trading countries, minimum down-payment 30% with 20 months to pay balance. For imports from other countries, 50% down-payment with 12 months to pay remainder.
Fertilizers	De Facto State Trading	Imports of compound fertilizers require a Ministry of Agriculture permit. Two state-owned companies in practice appear to control imports and marketing.
Health, Sanitary and Safety Restrictions		
Electrical equipment	Rigid technical standards	The state testing organizations for electrical equipment in Denmark, Finland, Norway and Sweden each apply separate standards for electrical equipment and require individual testing in the country prior to certifying imports.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Numerous goods including assemblies of parts of radio-electric apparatus containing crystal diodes, triodes, including transistors. Crystal diodes, triodes, including transistors and parts, aircraft and parts, wine, rosin, certain textiles, semi-conductors, canned tuna, and petroleum products.	Quantitative restrictions and/or licensing	
Watches and parts	Quota	
Valuation and Taxes		
Automobiles (passenger cars)	Annual use tax (vignette). Tax depends on fiscal horsepower and age of car	Standard U.S. cars fall in highest tax bracket liable to payment in first year of $200, while European cars generally pay $30.
Most industrial products	Border tax of up to 33% is levied on the c.i.f. duty-paid value of most imports	
Whiskey and other grain spirits	Excise taxes	Tax falls more heavily on whiskey than on brandy.

Product	Type of Restriction	Remarks
Government Procurement		
All products purchased for public account	Administrative practices, not codified	The French public sector operates an effective "Buy French" policy. "Absolute priority" is given to procurement of domestic products "equivalent" to the offered foreign product
Health, Sanitary and Safety Restrictions		
Pharmaceutical products	Pharmaceutical regulations. (With a few exceptions, a "visa"--required before distribution of pharmaceutical specialties packaged for retail sale is permitted--is not granted for imported products.)	Regulations are ostensibly designed to protect public health, but also serve to protect the domestic industry. A virtual embargo exists on imports of pharmaceutical specialties packaged for retail sale. There are also severe restrictions or imports of bulk mixtures which cannot be easily analyzed.
Other Restrictions		
Cigarettes and other manufactured tobacco	State Monopoly	Following move toward CXT, retail prices of U.S. cigarettes have been increased proportionately more than on comparable domestic brands. This action contravenes undertaking on pricing which U.S. obtained from France in 1947.

Product	Type of Restriction	Remarks
Other Restrictions (cont'd)		
Coal	State Trading	
Paper for periodicals (paper in general is liberalized)	State trading	
Electronic equipment	Tripartite Accord	France, West Germany and the United Kingdom have drawn up an Accord to facilitate mutual acceptability of quality certification of electronic components in these three countries. This could lead to discrimination against U.S. exports of such goods.
Petroleum products	State trading	
Whiskey and other grain spirits	Prohibition on advertising whiskey and other grain spirits	Wines and fruit-distilled spirits may be advertised in France.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Import licensing and exchange quota	For licensing purposes all trade is classified into three categories: the Franc Zone and Common Market countries (free of restrictions); the Far East (imports not to exceed 10% of total imports from all countries combined during a given year); all other countries (quotas established annually on basis of lists submitted by all important importers).
Valuation and Taxes		
All imports	Revenue tax up to 50%	
All dutiable imports	Turnover tax of 10%, levied on c.i.f. duty-paid value	Discriminatory in that certain countries are exempt from customs duties.
Petroleum fuels, lubricants, firearms	Additional tax of 5-15% levied on c.i.f. duty-paid value	
Used clothing	Arbitrary valuation	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Carps, fresh or chilled; herring and herring fillets, salted or in brine; shrimps, dried; wine of fresh grapes, grape must with fermentation; natural red wines for mixing; woven fabrics of jute; tableware and household articles of procelaine; tableware and household articles of other ceramic materials; statuettes, fancy articles, etc. of porcelain and other ceramic materials; insulators of ceramic material	Quotas	Import licenses for all those U.S. non-agricultural commodities in which the United States has a significant exporter interest are now being granted by the Federal Republic of Germany automatically and without limit. Global quotas which will become progressively more liberal have also been established for a certain limited number of items in which the United States has only a minor export interest.
Valuation and Taxes		
Industrial imports	Value-added tax of 11% levied on c.i.f. duty-paid value	
Other Restrictions		
Pit coal, briquettes of pit coal and similar solid fuels manufactured from coal except for bunkering of seagoing vessels, and for the production of coke under processing contracts	Tariff quota	These imports formerly had to be consumed in the area north of Mittelland Canal. But this regulation was relaxed on September 19, 1969 to permit the use of imported hard coal throughout West Germany if the qualified consumers can show that they are unable to satisfy their requirements by purchases from EEC countries. Until 1968 the duty-free quota was filled mainly by U.S. coal exports. Now, British and Polish coal is replacing our exports as U.S. producers are finding more lucrative markets at home. The price differential between U.S. and European coal has also become a significant factor within the last year or so.

FEDERAL REPUBLIC OF GERMANY

FEDERAL REPUBLIC OF GERMANY

Product	Type of Restriction	Remarks
Other Restrictions (cont'd)		
Electronic equipment	Tripartite Accord	France, West Germany and the United Kingdom have drawn up an Accord to facilitate mutual acceptability of quality certification of electronic components in these three countries. This could lead to discrimination against U.S. exports of such goods.

GHANA

GHANA

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Most imports	Licensing	
Valuation and Taxes		
Vehicles	Purchase tax of 5% to 100% on imports	
Most imports	Sales tax of 11½%, levied on c.i.f. duty-paid value	
Selected luxury consumer goods	Excise tax of 2½% to 75% ad valorem levied on sales price which includes c.i.f... duty-paid value	

Product	Type of Restriction	Remarks
Other Restrictions		
Most imports	Credit restrictions	Most imports must be handled on 180-day credit terms.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
List "A": Products such as cosmetics; textiles, including used clothing; T.V. receivers; automobiles, trucks, buses, jeeps,, special purpose vehicles and truck and passenger trailers	Import licensing	
List "B": Products such as agricultural, mining, food processing and electrical machinery and spares; used machinery and spares except used earthmoving and road-building equipment	Import licensing	
T. V. receivers	Quota	

Product	Type of Restriction	Remarks
Valuation and Taxes		
All products	Turnover tax on imports 2.25%-8.75%, levied on c.i.f. duty-paid value	These tax rates are 25% in excess of that levied on like domestic products, and is applied on a c.i.f. duty-paid value which has been uplifted by 20% to 50%.
Luxury goods, such as perfumes, soaps, pleasure craft, etc.	Luxury tax of 10-70% levied on the c.i.f. value of imports	
Consumer goods	Consumption tax of 10-70% levied on specific rates, or on c.i.f. duty-and-tax-paid value	
Motor vehicles	Discriminatory license tax and discriminatory registration tax	Taxes are levied on fiscal horsepower and are steeply progressive.
Government Procurement		
All products	Principle of non-discrimination is administratively limited	Under Act of Council of Ministers No. 163/1958: (1) purchases in excess of $50,000 may be limited to Greek suppliers; (2) no international bidding if purchases can be made from countries with which Greece has bilateral clearing arrangements; (3) foreign firms may be required to bid in association with a Greek firm; (4) guarantees of participation and performance applicable to foreign bids may be waived for domestic firms; (5) Law 3215/1955 grants a preference of 8% to Greek goods.

Product	Type of Restriction	Remarks
Other Restrictions		
Passenger cars used as taxis	Maximum permissible length for taxis is 3.0 meters, and maximum permissible horsepower is 20 (Greek horsepower)	
Cigarette paper, kerosene alcohol, matches, salt, playing cards, saccharine and petroleum products	State trading	
Motion picture films	Screen-time quota	First-run theaters in Athens and Thessalonike area must show local films at least one week per quarter. Other theaters in these and other areas required to show a number of Greek films per quarter to equal their number of program changes.
All imports	Limit on terms of credit, or advance cash deposit requirements.	Requirement is more severe for luxury items and less stringent for products considered essential.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Alcoholic beverages, cigars and cigarettes, tobacco extracts, mineral fuels, lubricants, toys, certain chemicals and other items	Licensing	
Valuation and Taxes		
All imports of chairs; footwear parts	Special tax	For protection of home industries.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Various products	Import licensing	
All products	Exchange controls	
Detergents, plastic articles, fire-arms & ammunition, rubber heels and soles, and cotton fabrics.	Prior authorization	Imports allowed only to the extent that domestic production fails to meet local demand.
Christmas trees; used clothing, rags, hats, shoes, household linens and furnishings	Embargo	
Other Restrictions		
Tobacco, matches, soap, deter-gents, cosmetics, textiles, tires, and tubes, cement, various agricultural chemicals, household appliances, wine, beer, whiskey, rum, toilet articles, and non-agricultural machinery	State trading	
Television sets and parts, fish and building construction materials	State licensed. Private monopoly.	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Electric transformers, building board, certain furniture, ladies' stockings, broom and brushes, works of art, reconstituted wood, fishing lines and cords, and ropes	Global quotas	
Paperboard cartons and containers	Licensing	
Valuation and Taxes		
All products except footwear, aviation gasoline, packaging, fishing equipment, aircraft	Sales tax of 11% levied on c.i.f. duty-paid value	
Gasoline; tubes and tires	Special import tax	

Product	Type of Restriction	Remarks
Valuation and Taxes (cont'd)		
Cement, timber, reinforcement iron for construction	Special foreign exchange fee of 0.5% of the declared customs value	
Products subject to import licensing	Foreign exchange fee of 0.5% of the import price as stipulated by the license	
Other Restrictions		
All imports except petroleum, fishing gear, fertilizers, and industrial raw materials	Prior deposit	Deposits must be placed with bank selling exchange equal to 15-25% of amount of foreign exchange purchased; deposit held for at least 3 months.
Tobacco, fertilizers, wine and liquor, perfumes, and safety matches	State trading	

INDIA

INDIA

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All commercial imports	Licensing, exchange controls, quotas, embargo	
Capital goods, heavy electrical plant, and machine tools valued at $100,000 or more	Special licensing terms	Imports are permitted if covered by long-term (10 years) foreign loans or investments, private or governmental. Also for maintenance and replacement and purposes requiring small cash payments.
Valuation and Taxes		
All commercial imports	Licensing fees	Fee to be paid for application for import license. Fee is 50 rupees for license of not over 50,000 rupees and one rupee for every 1,000 rupees in value of licenses over 50,000 rupees. Maximum fee 5,000 rupees. (1R = .133¢)
Numerous pro	Discriminatory excise tax	Domestically produced items manufactured under certain conditions or for a certain use are granted preferential rates.
Government Procurement		
Products purchased for public account	Government procurement practices	Price preference of up to 40% is accorded indigenous products. Practices are administrative in nature consisting of issuing bid invitation on short deadlines, failing to identify source of financing, restricting quotations or specifications to British and Indian standards, and renegotiating bids.

Product	Type of Restriction	Remarks
Other Restrictions		
Artificial silk yarn and thread, caustic soda, soda ash, newsprint, cement, fertilizer, petroleum products, mercury, sulphur, tractors, printing and textile machinery, tires and other items as might be determined from time to time such as capital goods and industrial raw materials	State trading	
Motion picture films	Restriction on transfer of film earnings	25% of the net earnings may be remitted while balance is held in blocked accounts and may be withdrawn only for specific uses.
Capital goods and other items	Discrimination resulting from bilateral agreements	Licensing procedures for some commodities, including printing machinery, business machines, and machine tools, result in refusal of authorities to license imports from Western sources if similar products are available from Eastern European sources.
Machine tools	Discriminatory import privileges	Importers of machine tools from Eastern European sources are permitted to import for stock and display, a privilege not allowed to importers of Western machinery.
Imports in general	Restriction on appointment of foreign-controlled branches or subsidiaries	Restriction on appointments as agents and advisers can prevent U.S. exporters from actively developing the market potential.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All products	Exchange controls	
Batik-motif textiles, cigarettes, and certain types of tires	Embargo	
Valuation and Taxes		
All imports except essential commodities	Surcharge of 50% to 600% based on import duty	
Mainly items competitive with domestically produced goods	Sales tax.	Sales tax rates are the same for comparable imported and domestically produced goods except for semi-luxury textiles and tires.
All products	1% tax on letters of credit	
All products	½% import tax, levied on c.i.f. duty-paid value	
All products	½% customs charge	
Few products	Excess Profit Levy of RP 15 or RP 250 per US $ value of import	This levy applies to a few items to which surcharges do not apply.
Most items on GATT schedules	Special retribution tax	Tax is equivalent to the difference between the GATT bound and the non-MFN tariff rate.

Product	Type of Restriction	Remarks
Other Restrictions		
Some essential items, including cambrics, weaving yarn and thread, textiles and dyes, fertilizers, tinplate, paper, cement, reinforcing rods and other capital goods	State trading	State trading companies must compete with the private sector for exchange and credit.
All products	Prior import deposit	100% prior deposit required when opening a letter of credit. Imports under foreign aid credits may be financed at preferential interest rates through state banks.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Tobacco products	Licensing	
Superphosphates, certain hosiery, certain footwear, laminated springs for vehicles, spark plugs and metal components, certain bulbs, certain brushes, brooms, and mops	Quotas	
Valuation and Taxes		
Most imports	Wholesale tax of 10% or 15%, or turnover tax of 2½%; levied on c.i.f. duty-paid value	One or the other is paid at time of importation, depending on category of importer's registration. Taxes are also levied on domestic products. Luxuries taxes at 15% rate.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
A few imports	Licensing under quota	Restrictions imposed to protect infant industries and industries in developing areas, provide means of investigating prices from alternative sources, and control non-essential imports. In addition, countries with which Israel has bilateral agreements are favored in issuing licenses for goods available from these sources. Imports under bilateral agreements accounted for 0.8% of total imports in 1969.
Valuation and Taxes		
Many imports	Purchase tax of 5% to over 100%, levied on c.i.f. duty-paid value	
Automobiles	Discriminatory purchase taxes	
Automobiles	Discriminatory annual property tax	
Numerous products	Import surcharge	
Other Restrictions		
Tractors	Mixing requirements	25%-30% of the value of imported wheeled tractors required to be Israeli produced.
All imports	Prior deposit requirement, 50% of the value of the goods.	Deposit must be held by the Bank of Israel for 6 months. Exempted from this requirement are: goods with customs duty under 30%, government imports, goods on which the deposit amounts to less than $142.86, personal effects, and goods for enterprises having the status of approved investments.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Tetraethyl lead and anti-knock preparations, and wine	Quota	
Essential oils, other than terpeneless, obtained from citrus, cork and cork products, motor vehicles for the transport of persons, etc., and special purpose motor lorries and vans, etc. chassis fitted with engines and bodies (including cabs) for the motor vehicles falling within heading Nos. 87.02 and 87.03	Licensing	
Valuation and Taxes		
Practically all products	Turnover tax of 4% levied on c.i.f. duty-paid value	
Majority of imported items	Compensatory import tax of from 1.2% to 7.8%, levied on c.i.f. duty-paid value	
Automobiles	Road tax	Tax applies heavily on vehicles with large cylinder displacement
All imports	Administrative service fee (0.5%). Statistical fee (10 lira per unit)	Proposed legislation would remove these fees for imports from EC countries, but retain them until January 1, 1971 for all others

Product	Type of Restriction	Remarks
Valuation and Taxes (cont'd)		
Cigarettes	Excise tax	
Government Procurement		
All products	30% of Government purchasing reserved to Southern Italy and Islands for development purposes. Ministry of Defense has recourse to foreign products only if domestic sources are unavailable or not suitable to needs.	Government departments do not in principle have any relations with foreign firms or suppliers but only with firms legally established in Italy.
Other Restrictions		
Motion picture films	Screen-time quota - 28%	Exhibitors must show Italian features at least 100 days per year. Italian short subjects must be included in each performance for at least 180 days per year.
Cigarettes	State monopoly	The monopoly, excise taxes and fixed retail prices are major factors in keeping Italian cigarette price significantly lower than foreign prices.
Nicotine products, salt, matches, flint, cigarette lighters	State monopolies	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Quotas	Goods from France and Franc Zone countries enter freely. Separate quotas apply to products from EC countries and to rest of world.
All imports	Licensing	Goods from all countries outside the Franc Zone and EC must be licensed.
Paint, detergents, matches, coffee-husking machines	Embargo	
Valuation and Taxes		
All imports	Fiscal tax of 10%-15% of c.i.f. value; Statistical tax of 1% of c.i.f. value	
Most imports	Value Added Tax of 8% - 43%, normally 18% of duty-paid value	
	Special import duty of 10% levied on c.i.f. value	
Used clothing, footwear, petroleum products, soaps, radio receivers, and other items	Arbitrary valuation	
Other Restrictions		
Pharmaceuticals	Discriminatory pricing formula and visa requirements	

JAMAICA

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Many products, including the following: Asbestos cement pipes, earthenware pipes, metal structural forms, tiles roofing materials, cement rubber products, metal furniture, aluminum hollowware, ladies and misses garments, mens and boys garments, hosiery, detergents	Licensing	
Automobiles with wheelbase of 116" or over	Embargo	Prevents imports of standard-sized U.S. cars.

JAPAN

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Coal; gas oils, heavy fuel and raw oils, and other petroleum oils; some chemicals and pharmaceutical products; leathers (excluding raw) and leather products, especially footwear; large steam boilers and turbines, some types of diesel engines, and large electrical generators; office machinery, including digital type computers and parts; and other products	Quotas and licensing	
Machinery, chemicals drugs, processed foods and other products	Automatic import licensing	Licenses are freely granted but importer must submit imports for approval.
Valuation and Taxes		
Whiskey	Internal tax of 150% -220% on high-priced whiskies and brandies	De facto discrimination against imports since competing Japanese whiskies are subject to lower rates of taxation due to lower prices.

Product	Type of Restriction	Remarks
Valuation and Taxes (cont'd)		
Automobiles	Commodity (sales) tax of 20-40% and annual road tax of \$100-\$167 for large U.S.-sized cars	Taxes levied according to cylinder capacity and wheel base thereby subjecting most U.S. cars to highest rates.
All imported goods; particularly parent/subsidiary transactions	Value uplift for customs purposes	Uplift valuations are sometimes arbitrary and excessive.
Government Procurement		
Fourteen categories of goods, including motor vehicles, electronic computers, aircraft, machine tools, and agricultural and construction machinery	Government procurement practices	Permission for procurement without open bidding granted by Cabinet Order 336 of September 25, 1963.
Health, Sanitary and Safety Restrictions		
All food products containing additives not included in the approved list	Ban of foods containing unapproved food additives	Additives used to flavor, preserve or improve appearance may be used in food products only as specified in an approved list.
Other Restrictions		
Tobacco manufactures, alcohol of strength of 90 degrees or higher	State trading	
Imports	Prior deposit	Rate presently 1%.

Product	Type of Restriction	Remarks
Other Restrictions (cont'd)		
Certain imports	Labeling requirements ments	Weights must be indicated in metric measurements only.
All imports	Discriminatory credit restrictions	Imports usually must be financed at interest rates exceeding those on domestic commercial bank loans which are eligible for BOJ discounts on loans. Also, payments must be made in accordance with a standard methods of settlement as specified by the Government, unless requests for exceptions are granted.
Several products, such as air conditioners and instant curry	Discriminatory treatment for premiums offered by importers and exporters	Under the Unfair Premium Prevention Law, the Japanese Fair Trade Commission may disallow "excessive" premiums used to stimulate sales. While applicable to domestic and imported goods, it does not apply to exports.
Heavy electrical equipment and possibly other products	Technical licensing requirement	Government agencies have required foreign companies to agree to license manufactures by a Japanese firm prior to permitting imports.
All imports	Restrictions on capital investment	Many U.S. firms are unable to establish facilities in Japan from which to direct sales and service operations because of restrictions on capital investment. Even obtaining a minority interest in a Japanese corporation is extremely difficult.

Product	Type of Restriction	Remarks
KENYA		
Quantitative Restrictions		
Many Products	Specific import licensing	Other imports enter under open general license.
Certain clothing items	Quotas	
Government Procurement		
All products	Procurement practice	Overseas procurement for Kenya Government handled through Crown Agents in London, giving British suppliers a strong advantage.
Other Restrictions		
Dye-in-the piece fabrics, khaki drill, colored fabrics, second-hand clothing, soap, detergents and salt	State trading	
35mm cinematographic films, developed	State trading	
TANZANIA		
Quantitative Restrictions		
Various products	Specific import licensing	Other imports enter under open general license.

Product	Type of Restriction	Remarks
Other Restrictions		
Textiles, bicycles, motion picture films, cement, matches	State trading	
UGANDA		
Quantitative Restrictions		
Many products	Specific import licensing	Other imports enter under open general license.
Motor cars, station wagons, motorcycles	Quota	
Used clothing	Embargo	
Government Procurement		
All products	Procurement practices	Overseas procurement for Uganda Government is handled through Crown Agents in London, giving British suppliers a strong advantage.

KOREA

Product	Type of Restriction	Remarks
Quantitative Restrictions		
About 75 Miscellaneous manufactured products	Embargo	
About 55 SITC classifications including plastics, iron and steel structures, glass, and manufactures of metal	Quotas	
All imports	Licensing, but automatic approval for most commodities	
Valuation and Taxes		
Most imports	Special customs duty	Levied at 70% of the "excess" profit on items normally dutiable at 40% or less, and 90% on those over 40%.
Wide range of commodities	Commodity tax ranging from 2% to 70%, depending upon the essentiality of the commodity.	The tax base for imported goods is landed cost plus the applicable duty.
Other Restrictions		
Most imports	Prior deposit requirement	The commercial importer must surrender, at the time a letter of credit is opened, foreign exchange certificates ranging from 30% - 150% of the import value.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Alcoholic beverages, used trucks and buses, spiral weld steel pipe, medicines containing cobalt salts, industrial and medical oxygen gas, magnetizers (electro-magnetic instruments), ethyl alcohol and any substance containing ethyl alcohol in any percentage	Embargo	Magnetizers prohibited unless bearing scientific evidence that they assist in medical treatment. Ethyl alcohol may be imported with the prior written consent of the Minister of Public Health.
Insecticides	Licensing	Importable only under a license issued by the Minister of Public Health.
Other Restrictions		
Asbestos pipe	Government sanctioned private monopoly	Monopoly on imports granted to local producers.

 MALAGASY REPUBLIC

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Exchange quotas and licensing	Annual import program provides quotas for specified commodities from EC countries, other than France; global quotas for all other countries outside the Franc Zone
Batteries for electric accumulators, alcoholic beverages	Quotas	
Used metal casks and drums, used clothing, alcoholic beverages, used sacks and bags	Prior authorization	
New sacks and bags	Embargo	
Cement	Embargo on imports into part of west coast	
Valuation and Taxes		
Most imports	Import tax of 5-50%, levied on c.i.f. value	
Some consumer goods, such as tobacco, footwear, and alcoholic bevereges	Consumption tax of 10%-135% levied on c i.f. duty-paid value	
Cement	Charge of 300 francs per metric ton	

Product	Type of Restriction	Remarks
Government Procurement		
Purchases for public account	Procurement practices	Short notification and administrative discrimination.
Other Restrictions		
Beer	Stringent requirements regarding container sizes; beer under 4 degrees alcohol prohibited	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Various products	Discriminatory import licensing	Other products enter under open general licensing. Sterling countries not subject to license.
Government Procurement		
All products	Procurement practice	Overseas procurement for Malawi Government handled through Crown Agents in London, giving British suppliers a strong advantage.

Product	Type of Restriction	Remarks
Valuation and Taxes		
Most imported products	Import surtax of 2% levied on c.i.f. value	Exceptions are crude petroleum and certain items on which the duty has previously been bound by trade agreements.
Imported trucks and buses	Discriminatory registration fee	None for Commonwealth origin; 15% for non-Commonwealth origin.
Government Procurement		
Products purchased for the public account	"Buy National" policy	Government departments are directed to procure locally manufactured goods at a differential up to 5% above foreign produced goods.
Quantitative Restrictions		
Various products	Licensing and quotas	Most imports are permitted freely under open general license. At any given time, however, as many as 100 commodity items may be subject to specific licensing and some to quantitative restrictions. These restrictions are generally temporary measures imposed pending introduction of protective import duties.
Other Restrictions		
Motion picture films	Screen-time quotas	Foreign-made films restricted in screen time to fixed percentages of the time reserved for locally-made movies.

MALTA

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Machinery for the production of stockings, refrigeration machinery, motor buses, water pumps, cement floor tiles, basketware of cane, willow or wicker, and other items	Embargo	For several of these products of minor importance import licenses may be granted under exceptional circumstances.
Men's trousers, steel wool, ladies nylon stockings, plastic or leather handbags, and other items	Licensing	Licenses issued according to previous imports.
Electrical wiring accessories	Licensing	Licenses freely granted.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Exchange quotas and licensing	All goods imported freely from France and Franc Zone countries. Quotas for imports of other EC countries. Global quotas for rest of world.
Valuation and Taxes		
All imports	Fiscal Tax of 10%-15%, levied on c.i.f. value	
All imports	Standard Import Tax of of 20%-30% levied on c.i.f. plus duty-paid value	
All imports	Turnover Tax of 10%-22%, levied on c.i.f. plus duty-paid plus standard tax plus fiscal tax value	
All imports	Statistical tax generally 4 CFA per unit	
Other Restrictions		
Percales, guinea cloth	State trading	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Alcoholic and certain other industrial chemicals; penicillin; coal and coke; certain cotton fabrics, artificial textile fibers and certain fabrics thereof; wool and fine hair; flax; hemp; zinc sheets and strips; and mineral or chemical fertilizers, nitrogenous excluding natural sodium nitrate, penicillin, its salts and compounds, and products thereof, jute yarn, sacks and certain fabrics; men's and boy's undergarments including collars, shirt fronts and cuffs; handkerchiefs; pneumatic mattresses; basketwork of plaiting material.	Licensing	Licenses for coal and coke are restricted to amounts over specified domestic supplies. Otherwise, licenses automatically granted for U.S. products.
Valuation and Taxes		
Most imports	Value-added tax with general rate of 12%. A number of items, mainly basic necessities, are subject to a 4% rate.	
Manufactured tobacco products; ethyl, propyl and isopropyl alcohol; beer; petroleum products; and wine	Excise tax levied on specific basis	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
32% of imports by value as of July 1, 1969	Quotas or licensing	Licensing based on historical trade patterns favors British suppliers.
Valuation and Taxes		
Wide range of commodities	Sales tax 20% (most items) 30% (photographic apparatus, watches, telescopes, stereoscopes, cigarette lighters) 40% (motor vehicles, motor-cycles and power cycles)	Essential goods are exempt. Base of sales tax in New Zealand: In the case of licensed wholesalers, the value for tax purposes is the price for which the goods are actually sold. For persons other than licensed wholesalers, the tax is calculated by the following formula: current domestic value, plus duty, plus 25% of the total of the current domestic value and duty.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Cotton ginning plants and textiles manufactures; industrial plants for pasteruizing and sterilizing milk; equipment for the slaughter of cattle and hogs, and other slaughter house equipment, and rubber tires and tubes.	Prior authorization	
Valuation and Taxes		
Most imports	Import surcharge of 30% of c.i.f. value	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Most imports	Exchange quotas and licensing	Franc Zone exempt; gradual removal for EEC. No licenses issued when goods available within Franc Zone at a reasonable price. Country and global quotas.
Plastic articles, matches, soap	Prior authorization	
Valuation and Taxes		
All imports	Fiscal tax of 10%-15%, levied on c.i.f. value. Statistical tax of 1%, levied on c.i.f. value. Standard tax of 25%, levied on c.i.f. duty-paid value, plus Fiscal and Statistical Taxes for industrial raw material and equipment the tax is reduced to 10%. Turnover tax of 10%-22% levied on c.i.f. value	
Used clothing	Arbitrary valuation	
Perfumery goods, cotton, and knitted goods, household utensils of aluminum	Transactions tax of 10% levied on c.i.f. value	
Cigarettes	Discriminatory excise taxes	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Many products	Specific licensing	All other imports enter under Open General License.
Valuation and Taxes		
All Imports	Surtax of 6.75% of the amount of duty paid.	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Ships, boats, and other vessels, (except pleasure boats and craft, and the contracting of normal dry cargo ships)	Licensing	
Valuation and Taxes		
Nearly all products	Value added tax of 20%, levied on c.i.f. duty-paid value	TVA of 11% levied on capital goods for investment purposes.
All imported products	Traffic tax	Domestic goods moving in internal trade are not taxed.
Automobiles and chassis therefore	Excise Tax: 67% on first $725, 100% of amount over $750 of the tax base	Progressive nature of automobile tax weighs more heavily on expensive models.
Trailers, buses, chassis with motors and certain motorcycles	25% of tax base	"Tax base" is the c.i.f. duty-paid value plus traffic tax.
Other motor vehicles	35% of tax base	

Product	Type of Restriction	Remarks
Government Procurement		
All products purchased for public account	Preference is given to domestic bidders for products for public works	Preference margin up to 15% provided for in Decree of 3/11/27 in effect as of 1966. Preferential system is extended to other EFTA countries in conformity with Article 14 of the Stockholm Convention.
Pharmaceutical products	Monopoly control and price fixing	
Other Restrictions		
Alcohol, alcoholic beverages, medicines and pharmaceuticals, fishing gear	State trading	
Shoes	Requirement that the binding sole of all shoes be made of a single piece of natural leather.	Artificial leathers such as "Corfam" are not presently acceptable for use in the binding sole, although they are permissible elsewhere in the shoe.
Health, Sanitary and Safety Restrictions		
Electrical equipment	Rigid technical standards	The state testing organizations for electrical equipment in Denmark, Finland, Norway and Sweden each apply separate standards for electrical equipment and require individual testing in the country prior to certifying imports.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Most private sector imports	Import Licensing	Except for 14 items on the Free List (basic industrial and agricultural inputs), private sector imports require import licenses. Free List items, along with a few items requiring licenses (mostly essential consumer goods and a few raw materials) are imported at the official rate of exchange of Rupees (Rs.) 4.76 = US$1. (See below, Multiple Exchange Rate Practices, under "Other Restrictions.")
Many imports	Embargo	
Automobiles	Virtual embargo	Only autos with a landed cost of up to $2331 may be imported.
Valuation and Taxes		
Most products imported for sale	Sales tax of 15% in most instances, levied on c.i.f. duty-paid value	Single-point sales tax, generally levied on both imported and domestically produced goods, levied at import, manufacturer, or wholesale point (but only one of these). Exemption for capital goods and certain other items.
All imports subject to sales tax	Defense surcharge (25% of the sales taxes payable)	
All imports except those exempted items of machinery and parts, components and apparatus for use with machinery	Customs surcharge (25% of customs duty)	
Certain iron and steel products, cement, coal, edible oils, copper rods and ingots, aluminum ingots, synthetic rubber, and raw materials for the following industries: steel and non-ferrous casting, steel construction, electrical and pumping equipment, and diesel engines.	Equalization payments on landed cost of imports	Equalization surcharge is levied on products from the cheaper of various foreign sources equal to the difference between lower priced and highest prices imports.

PAKISTAN | PAKISTAN

Product	Type of Restriction	Remarks
Other Restrictions		
Motion picture films	Import and remittance restrictions	
Most imports	Varying exchange rates	Rates vary among commodities according to periodic import policy announcements.
Pig iron; aluminum, lead, and zinc ingots and rods; sulphur; raw rubber; betel nuts; artsilk yarn; mercury; and sugar, steel billets, and steel strips from tied (but non-U.S.) sources.	State trading	Imports may be made only through the Trading Corporation of Pakistan.

PERU | PERU

Product	Type of Restriction	Remarks
Quantitative Restrictions		
New or used textile machinery, used machinery	Import license	
Many products, including refrigerators, footwear, radio receivers, textiles and automobiles	Temporary embargo	Importation prohibited two years, ending March 31, 1970. Has been extended indefinitely.
Valuation and Taxes		
Most imports	Arbitrary customs valuation system	For most goods, the value for customs purposes is computed by taking 120% of the invoice price and adding insurance and freight costs.

Product	Type of Restrictions	Remarks
Valuation and Taxes (cont'd)		
All products	Statistical tax of 2% levied on c.i.f. duty-paid value	If the good is exempted from import duty the surcharge is 3% c.i.f.
All products arriving by sea	Maritime freight tax of 4% of ocean freight charges	
Most products	Surcharge: 10% of c.i.f. value	
Government Procurement		
All products	Government procurement practices	Regulations prohibit government agencies and institutions receiving government funds from importing goods produced domestically. Supreme Decree 139-A provides preference in the award of government purchase contracts to countries which acquire Peruvian coffee for use in new markets (as defined in the International Coffee Agreement).
Other Restrictions		
Pharmaceuticals, pharmaceutical specialities, biological products; chemical-medicinal, galenic preparations, veterinary pharmaceuticals, cosmetics, toilet articles, matches	Prior authorization required	

POLAND

Product	Type of Restriction	Remarks
All products	State trading	
All products	Bilateral balancing	Under bilateral agreements, Poland channels its purchases to a certain degree on the basis of country of origin rather than on the basis of price, quality and terms.
All products	Marketing practices	Foreign businessmen and firms are restricted in gaining access to potential buyers.

PORTUGAL

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Certain natural or processed raw materials, some textile fibers, automotive vehicles and apparatus, miscellaneous manufactured goods	Global or bilateral quotas	About 50 tariff items are subject to quota; application for import license made on individual basis. However, imports in excess of quotas may be licensed if Ministry of Economy determine such imports to be in interest of national economy. Certain of these items may be imported freely from EFTA countries.
All shipments into Portugal, including Madeira and the Azores, valued over 2500 Escudos ($87.50)	Import license	Licenses usually granted automatically for liberalized goods.

Product	Type of Restriction	Remarks
Quantitative Restrictions (cont'd)		
Saccharine and food and other products containing saccharine	Prior authorization	Sale of food or other products containing saccharine is not considered to be in public interest by Ministry of Health; however, saccharine in powder or tablet form may be imported under license with approval GOP health authorities.
Used clothing	Embargo	
Valuation and Taxes		
Most products	Transaction tax of 7% (21% on luxuries) levied on 140% of c.i.f. duty-paid value	
Automobiles	Sales tax	Sales tax on automobiles, which is progressive, is particularly burdensome to the higher priced product.
Government Procurement		
All purchases for public account	Decree 22037 of 12/27/32 requires government departments "to give preference to Portuguese products when other conditions of the bids are equal."	EFTA members have equal opportunity with domestic firms under Article 14 of the Stockholm Convention.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Most imports	Exchange quotas	Annual import program prepared for all countries outside Franc Zone for non-liberalized goods; separate quotas allocated to EEC; remaining quotas are global.
Liberalized imports	Import certificate	
Matches, cotton yarn and fabrics, certain men's clothing, blankets, certain footwear, certain construction materials	Embargo	
Valuation and Taxes		
All imports	Fiscal tax of 10%-15%, levied on c.i.f. value	
Most imports	Standard tax of 20% or 30%	Levied on c.i.f. plus tariff plus fiscal duty plus statistical tax.
All imports	Turnover tax of 10% or 22%	Levied on c.i.f. plus tariff plus fiscal plus statistical plus standard taxes.
All imports	Statistical tax CFAF 4 per case or bundle	
Lubricants	Tax of CFAF 15.5-25.5 per litre	
Health, Safety and Sanitary Restrictions		
Pharmaceuticals	Visa requirement if not listed in French Codex	Visa may be denied when similar or identical products are already legally sold in Senegal. Fee for visa application high.

SIERRA LEONE

SIERRA LEONE

Product	Type of Restriction	Remarks
Quantitative Restrictions		
A few products	Specific licensing	All others enter under Open General License.
Valuation and Taxes		
Automobiles	Discriminatory valuation base	Valuation based on engine size which discriminates against high horsepower vehicles.

REPUBLIC OF SOUTH AFRICA

REPUBLIC OF SOUTH AFRICA

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Most imports	Licensing	
Valuation and Taxes		
Most imports	Sales tax of 5%, 10% or 20%	
Other Restrictions		
Potentially all imports	Antidumping procedures	Antidumping duties of specific amounts are incorporated in S. Africa's tariff schedule for specific products from certain countries and sometimes remain in effect for long periods of time.

SOUTHERN RHODESIA SOUTHERN RHODESIA

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Many goods of a luxury nature, or already produced domestically	Quotas or specific licensing	Most other goods enter under Open General License.
Light and heavy built-up commercial vehicles	Embargo	

RWANDA RWANDA

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Licensing	
Valuation and Taxes		
Most products	Fiscal tax of 10%-30% levied on c.i.f. value	
Alcoholic beverages, petroleum products and tobacco products	Consumption tax	
Most imports	Statistical tax of 3% levied on c.i.f. value	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All liberalized goods (includes raw materials, capital goods and equipment, manufactured and consumer goods)	Import declaration	Declarations are usually issued freely for liberalized goods. Imports can be restricted through administrative slow-down in processing import declarations.
All used machinery and equipment, and second quality goods	Import license (De Facto embargo)	Licenses generally not granted.
Motion pictures	Import licensing Screen-time quota	Import licenses allocated according to weighted index for each foreign country. One Spanish film must be exhibited for every three Spanish dubbed foreign films.
All imports other than those listed above	Global quota, import licensing, or bilateral import regime	Global quotas in effect on about 58 categories. Quotas for some goods open all year, for others once or twice a year. Licenses may be issued freely up to amount of quota, and for many commodities, for amounts greater than quota. Occasionally licenses are not issued up to quota limit, and in rare instances none issued under a quota. Licenses granted first for imports from country with which Spain has bilateral trade agreement. License availability always discourages imports for which a continuing supply is essential.
Valuation and Taxes		
All imports	Compensatory Import Tax Range: 3% to 15% Average: 5% to 10% Assessed on c.i.f. duty-paid value	

Product	Type of Restriction	Remarks
Valuation and Taxes		
Motion pictures	Dubbing tax	Tax varies with country of origin, the charge on U.S. films being the highest.
All products	"Abnormal" price system and antidumping measures	By alleging "abnormal prices" the Government can suspend all imports of the questioned good until the investigation is completed. By threatening an "abnormal price" investigation, the Government can induce importers to import goods at a price causing low cost producers to lose their advantage.
All products	Import deposit	Importer required to deposit 20% of c.i.f. value of imports. Deposit held for six month period with no interest. Decree in force through Dec.
Government Procurement		
All products	Article 10 of the law for the Coordination and Defense of National Industries of 11/24/39 prohibits use of imported products in projects involving state or other local government funds, including national or quasi-national firms	Application for import license may be made when Spanish products are unavailable or do not meet necessary specifications. Short bid deadlines often have effect of excluding foreign competitors.
Other Restrictions		
Certain type of coal, petroleum and derivatives, tobacco	State trading	
Synthetic fibers, Customs Headings: 51.01 A-1; 51.02 A-1; 56.01 A-2; 56.01 A-3; 56.02 A-2; 56.02 A-3; 56.04 A-2; 56.04 A-3	Origin Requirement (must come directly from the producing factory)	Effect is to facilitate imports from producing factory while subjecting imports from middle man organizations to licensing procedures.

SWEDEN

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Automobiles, including special vehicles	Import license	
<u>Valuation and Taxes</u>		
All imports	Value-added tax of 10% or 14% levied on c.i.f. duty-paid value	Imports subject to 14% rate includes motor vehicles and television receivers and combinations.
Certain rugs, articles of gold and silver, precious stones.	Sales tax, levied on c.i.f. duty-paid value	
Certain furs	Fur tax of 2-1[illegible]%, levied on c.i.f duty-paid value	
Toilet articles, cosmetics, and similar preparations	Commodity tax of [illegible]%, ad valorem, based on wholesale price	
<u>Health, Sanitary and Safety Standards</u>		
Electrical equipment	Rigid technical standards	The state testing organizations for electrical equipment in Denmark, Finland, Norway and Sweden each apply separate standards for electrical equipment and require individual testing in the country prior to certifying imports
<u>Other Restrictions</u>		
Spirits and wines	State trading	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Trucks, cotton fabrics, jute textiles, clothing of all kinds, certain carpets, and various minerals and chemicals	Licensing	Licenses are freely granted on U.S. goods.
Wine in barrels	Quota	Specific quotas are granted to traditional suppliers (e.g., France, Germany) or to countries with which Switzerland has bilateral quota agreements. Wine in barrels from all other countries enters under the global quota.
Valuation and Taxes		
Motor vehicles	Road taxes and auto insurance	Road tax and compulsory insurance rates based on horsepower.
All products	Turnover tax of 5.4%, levied on c.i.f. duty-paid value	
Other Restrictions		
Ethyl alcohol of a strength of 80% or more, whiskey and gin in casks, brandy and liqueurs	State trading	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Licensing	
Valuation and Taxes		
All imports	Transactions tax, levied on 18% c.i.f. value, plus all taxes	
All imports	Statistical tax of 1%, levied on c.i.f. value	
All imports	Warehouse tax of 1%, levied on c.i.f. value. Fiscal stamp tax of 3% on all duties and taxes paid.	
All imports	Special import tax of CFAF 10 per 100 kg.	
Textiles, alcoholic beverages and perfumery goods	Luxury tax of CFAF 40	
Tobacco manufactures, jute goods	Phytosanitary tax of CFAF 125 per ton	
All imports	Lighthouse tax of CFAF 20 per ton	
All imports	Berthage tax of CFAF 125 to CFAF 510 per kg.	

TRINIDAD AND TOBAGO

TRINIDAD AND TOBAGO

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Various items	Import licensing, quota, embargo	Items produced or which are to be produced domestically are made subject to strict import quota licensing, and in some instances are prohibited. Imports of soap, detergents, leather, paper and paper products, cement, lead, air conditioners, cotton fabrics, furniture and other items are strictly controlled.

TUNISIA

TUNISIA

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Most imports	Quota	Has system of global and bilateral quotas.
All imports	Licensing	Licenses required for all goods from non-Franc Zone countries.
Variety of imports	Embargo	

Product	Type of Restriction	Remarks
Valuation and Taxes		
All imports	Production Tax of 15.5%, to 19.9% levied on duty-paid value	
Luxury goods	Consumption Tax of 7.5-25%, levied on duty-paid value	
Luxury goods	National Defense Fund Tax of 10% of either the Consumption Tax or Duty whichever is higher	
All imports	Customs Formality Tax of 1.81% of landed cost	
Perfume, soap, tires, petroleum products, explosives and other items	Consumption Duty of 11 to 100%	
State Trading		
Playing cards, matches, tobacco and tobacco products	Imported solely by Tobacco Monopoly	
Pharmaceutical products, raw materials used in manufacture of certain products	Imported solely by Pharmacie Centrale	
Books, periodicals, phonograph records, cultural items	Imported solely by Societe Tunisienne de Diffusion	

Product	Type of Restriction	Remarks
State Trading (cont'd)		
Timber, paper, hardwood, fertilizer, construction materials, iron, glass and earthenware, yarn and spun goods	Imported by import group association	
Used clothing	Imported by Societe d' Articles Populaires, a semi-public agency	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Licensing	Special consideration is given items to be traded with bilateral agreement countries.
Some chemicals, paints and pharmaceuticals; explosives; some photographic equipment; plastics and certain rubber goods; some wood, paper and textile products; some glass products and most manufacturers of copper, aluminum and zinc; certain tools; some tractors and trucks, trailers, and motorcycles; planes for spraying; clocks and watches; and other items	Quotas	

Product	Type of Restriction	Remarks
Valuation and Taxes		
All goods imported by sea	Port tax of 5%, levied on c.i.f. plus duty, surtax and customs clearance costs	
All imports	Surtax of 15% of customs duty.	
All imports	Stamp tax of 25%, levied on c.i.f. value	
Most imports	Discriminatory production tax ranging from 10% to 75% of sum of c.i.f. value, customs duty, customs surtax, port tax and customs clearing expenses	Some manufactured goods produced domestically are not subject to this tax.
Motion picture films	Discriminatory film tax	Foreign films - 41%; Domestic films - 25%.
Automobiles	Surtax	Varies according to weight and age.

Product	Type of Restriction	Remarks
Other Restrictions		
Tobacco products; cigarette paper; various alcoholic beverages, salt, sugar, most agricultural equipment	State trading	
All imports	Advance deposit	Full Turkish lire equivalent must be deposited in advance for goods on the liberation list and for quota list goods imported against letter of credit. Deposit is 50% for quota list items imported cash against documents or cash against goods. Deposit period for bilateral agreement imports is shorter.
All imports	Guarantee deposit	Guarantee deposits at 20, 50, 90 or 120%, depending on the import list, must be made when import application is submitted nd are refunded when payment for the goods has been made. The deposit required is lower (1% or 10%) on goods imported under certain investment programs.

UNITED ARAB REPUBLIC

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	State trading	Import trade is nationalized, with importing limited to government ministries, public organizations and government controlled import companies.
About half of all UAR tariff items, mostly non-essential or luxury goods or products made in the UAR	Embargo	Legislative measures to abrogate this list are being taken.
Imports in general	Exchange allocations	Currency area restrictions are imposed to meet commitments under bilateral agreements.
Valuation and Taxes		
All imports, except wheat	Statistical tax of 1% levied on c.i.f. value	
All imports	Revenue tax of 10% on non-essential goods with 5% tax on essential food commodities	This tax is not applied to domestic purchases of similar commodities.
All imports	Pavement tax	Tax of 3% of the sum of the customs duty, statistical tax, revenue tax and, where applicable, excise taxes.

Product	Type of Restriction	Remarks
Valuation and Taxes (Cont'd.)		
All imports	Porterage fee	
Goods imported through UAR ports	Marine duty of 0.2% of c.i.f. value	
Aerated water, alcohol, vehicle batteries, alcoholic beverages, benzine, cotton yarns, fuel oil, lubricating oil, mineral greases, matches, cigarette lighters, playing cards, artificial silk yarns and fibers, sugar, tire cases, and wool yarns	Excise duties	

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Coal, coke, and solid fuels manufactures of coal or coke	License required, but none issued	
Cigars	Quota	
Jute cloth (exceeding 19 inches in width) and new sacks and bags (other than heavy bags, common sacking and wool sacks)	Global quota	
Rum	Dollar area quota	
Motion picture films	Screen-time quota	
TV films	Screen-time quota 14% for imported films	
Government Procurement		
All products	Administrative practices	While no procedures have been published, purchasing departments when intending to place orders abroad try to find out whether the products can be obtained on competitive terms within the Commonwealth. Some administrative measure of preference is given to firms in development districts. Preference is also specifically given to computers of UK manufacture. EFTA members have equal opportunity with domestic firms under Article 14 of the Stockholm Convention.

UNITED KINGDOM

Product	Type of Restriction	Remarks
Government Procurement (cont'd)		
Timber (Douglas Fir)	Government procurement	British Admiralty requires that lumber for which tenders invited must originate in British Colombia.
Other Restrictions		
Electronic equipment	Tripartite Accord	The U.K., France, and West Germany have drawn up an Accord to facilitate mutual acceptability of quality certification of electronic components in the three countries. This could lead to discrimination against U.S. exports of such goods.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports	Import and exchange licenses	An import license and an exchange license is required for all imports from countries outside of the Franc Zone. Licenses are not ordinarily issued for the import of commodities which are available from within the Franc Zone. Goods originating within the EEC receive more liberal treatment than do non-EEC goods.
Used clothing	Embargo	
Valuation and Taxes		
All imports	Fiscal tax - 5-20% Standard tax - Temporary development tax - 10% of c.i.f. value Statistical tax - 1% of c.i.f. value Contractural tax - 2.25%-25% Temporary maintenance tax - 1.5% Compensatory tax - 3%	
Other Restrictions		
Medicaments	Discriminatory regulation	Medicaments not appearing in the French Codex or authorized by the Central Pharmaceutical Service are prohibited.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
All imports (except capital goods which may be exempted on a case by case basis), unless by public organizations	Prior deposits (returned after 8 months)	Prior deposits are required of from 150 to 400% on imports exceeding a given percent (averaging 80%) of past import levels.
Most capital goods	Three-year foreign financing required	
Valuation and Taxes		
Most goods except essential items of an industrial, agricultural or medicinal nature	Surcharges of 10% to 300%	Imports are subject to surcharges to conserve foreign exchange.
All imports	Port handling fee: \$.025 per 100 kg. of gross weight or \$.33 per 100 pesos of valuation. Consular invoice charge: 12% f.o.b. value. Port charge: 12% c.i.f. Global customs charge: 18%	
Most imports	Arbitrary customs	Official customs valuation prices (aforos) have been established for about 80 percent of the items in the Uruguayan tariff schedule.

Product	Type of Restriction	Remarks
Quantitative Restrictions		
Nearly all machinery and equipment, most consumer goods and some raw materials	Global exchange quotas	Allocated according to past imports. Distinction is made between hard currency and clearing currencies. Major exporters (producers exporting more than 51% of their production) may freely import raw materials on this list.
Salt, coke, asbestos, tobacco waste, coal, certain chemical raw materials, pig iron and selected iron and steel manufactures, and other items	Commodity quotas	Quotas set by special regulations of the Federal Executive Council.
A variety of products, including coke, certain iron and steel semi-manufactures, and certain chemicals	Commodity quotas	Additional restriction on imports established by agreement between the domestic producer and importer.
Passenger and cargo aircraft, tractors, railroad locomotive and rolling stock, wines, automobiles and other items	Licensing	Granting of a license does not include an allocation of foreign exchange; allocations under the global foreign exchange quota must be used.
All imports not subject to quotas	Exchange control	Exporters are permitted to retain only a percentage of hard currency earnings, with which to import non-quota goods.
Other Restrictions		
Many products	Commitments to import from certain supplying countries	End-users must purchase certain amounts from Yugoslavia's bilateral partners. After these commitments have been met, end-users may purchase these goods freely from other sources.

Product	Type of Restriction	Remarks
Other Restrictions (cont'd)		
Raw materials and semi-manufactures used in the ship-building, electric, textile, and food industries	Export incentive	End-users in these industries receive foreign exchange for the import of these products in a fixed ratio to exports.